

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, interest on the Bonds is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See the caption "TAX MATTERS."

\$16,645,000

**CITY OF SAN BUENAVENTURA PUBLIC FACILITIES FINANCING AUTHORITY
2014 WATER REVENUE BONDS, SERIES C**

Dated: Date of Delivery

Due: January 1, as shown on the inside front cover page

The Bonds are being issued to provide funds: (i) to acquire and construct certain improvements for the City's Water System; and (ii) to pay costs incurred in connection with the issuance of the Bonds.

The Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in denominations of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2015. Payment of the principal of and interest on the Bonds is to be made to Cede & Co., which is to disburse such payments to the Beneficial Owners of the Bonds through their nominees.

The Bonds are subject to optional, extraordinary and mandatory sinking fund redemption as more fully described in this Official Statement.

The Bonds are being issued pursuant to the Indenture of Trust, dated as of November 1, 2014, between the City of San Buenaventura Public Facilities Financing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES, WHICH CONSIST OF INSTALLMENT PAYMENTS TO BE MADE BY THE CITY TO THE AUTHORITY PURSUANT TO THE INSTALLMENT SALE AGREEMENT, DATED AS OF NOVEMBER 1, 2014, BETWEEN THE CITY AND THE AUTHORITY, AND FROM CERTAIN OTHER FUNDS AND ACCOUNTS HELD BY THE TRUSTEE PURSUANT TO THE INDENTURE, OTHER THAN THE PROJECT FUND. NEITHER THE FULL FAITH AND CREDIT NOR ANY OTHER REVENUES OR FUNDS OF THE AUTHORITY ARE PLEDGED TO OR AVAILABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS. THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The obligation of the City to make the Installment Payments is a special limited obligation of the City payable solely from Net Revenues of the Water System, consisting of Gross Revenues of the Water System remaining after payment of Operation and Maintenance Costs. The Installment Payments are payable on a parity with obligations of the City outstanding in the aggregate principal amount of \$57,785,881 as of July 1, 2014.

THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT SALE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION 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. THE OBLIGATION OF THE CITY TO MAKE THE INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES OF THE WATER SYSTEM AND DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

MATURITY SCHEDULE

(See inside front cover page)

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

The Bonds are offered when, as and if issued and received by the Underwriter, subject to approval as to the valid, legal and binding nature of the Bonds by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Disclosure Counsel. In addition, certain legal matters will be passed upon for the City and the Authority by the City Attorney/Authority Counsel and for the Trustee by its counsel. The Underwriter was represented by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about November 4, 2014.

FirstSouthwest

**MATURITY SCHEDULE
BASE CUSIP®* 797044**

\$16,645,000

**CITY OF SAN BUENAVENTURA PUBLIC FACILITIES FINANCING AUTHORITY
2014 WATER REVENUE BONDS, SERIES C**

<u>Maturity (January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP®*</u>
2029	\$ 45,000	3.250%	3.410%	AZ7
2030	680,000	3.250	3.470	BA1
2031	695,000	3.375	3.520	BB9
2032	725,000	3.500	3.580	BC7
2033	745,000	3.500	3.630	BD5
2034	775,000	3.500	3.680	BE3

\$4,425,000 5.000% Term Bonds Due January 1, 2039 – Price 113.507%^(c) CUSIP®* BK9
\$8,555,000 5.000% Term Bonds Due January 1, 2044 – Price 112.664%^(c) CUSIP®* BQ6

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^(c) Priced to first optional redemption date of January 1, 2024 at par.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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 a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "THE WATER SYSTEM" and "WATER SYSTEM FINANCIAL INFORMATION."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

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

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

The City maintains a website. However, the information presented on such website is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

CITY OF SAN BUENAVENTURA PUBLIC FACILITIES FINANCING AUTHORITY

GOVERNING BOARD

Cheryl Heitmann, *President*
Erik Nasarenko, *Vice President*
Neal Andrews, *Authority Member*
James L. Monahan, *Authority Member*
Carl E. Morehouse, *Authority Member*
Mike Tracy, *Authority Member*
Christy Weir, *Authority Member*

AUTHORITY/CITY STAFF

Mark Watkins, *Executive Director/City Manager*
Rick Raives, *Acting Finance and Technology Director/Director of Public Works*
Gregory G. Diaz, Esq., *Authority Attorney/City Attorney*
Cyndi Rodriguez, *Secretary/City Clerk*
Shana Epstein, *Ventura Water General Manager*

BOND COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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\$16,645,000
CITY OF SAN BUENAVENTURA PUBLIC FACILITIES FINANCING AUTHORITY
2014 WATER REVENUE BONDS, SERIES C

INTRODUCTION

General

This Official Statement, which includes the cover page, table of contents and appendices hereto, is provided to furnish information in connection with the issuance of the City of San Buenaventura Public Facilities Financing Authority 2014 Water Revenue Bonds, Series C (the “Bonds”) in the aggregate principal amount of \$16,645,000. Descriptions and summaries of various documents described in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein have the meanings ascribed thereto in Appendix B hereto.

The Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases will be made in denominations of \$5,000 and integral multiples thereof and will be in book entry form only. Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. See Appendix E. Interest on the Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2015. Payment of the principal of and interest on the Bonds is to be made to Cede & Co., which is to disburse such payments to the Beneficial Owners of the Bonds through their nominees.

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

Purpose of Issuance

The Bonds are being issued to provide funds: (i) to acquire and construct certain improvements for the Water System of the City of San Buenaventura (the “City”), as described under the caption “THE PROJECTS; INSTALLMENT SALE AGREEMENT;” and (ii) to pay costs incurred in connection with the issuance of the Bonds. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

Security

Bonds. The Bonds are being issued pursuant to the Indenture of Trust, dated as of November 1, 2014 (the “Indenture”), between the City of San Buenaventura Public Facilities Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are special limited obligations of the Authority payable solely from Revenues, which consist of certain payments (the “Installment Payments”) to be made by the City to the Authority pursuant to an Installment Sale Agreement, dated as of November 1, 2014 (the “Installment Sale Agreement”), between the City and the Authority, and from certain other funds and accounts held by the Trustee pursuant to the Indenture, other than the Project Fund.

NEITHER THE FULL FAITH AND CREDIT NOR ANY OTHER REVENUES OR FUNDS OF THE AUTHORITY ARE PLEDGED TO OR AVAILABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS. THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL AND

INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

Notwithstanding anything in the Indenture or in the Bonds, the Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes.

Installment Payments. The obligation of the City to make the Installment Payments is a special limited obligation of the City payable solely from Net Revenues of the Water System, consisting of Gross Revenues of the Water System remaining after payment of Operation and Maintenance Costs of the Water System. The Installment Payments are payable on a parity with the City's obligations to make payments: (i) under the Funding Agreement (Contract No. SRF00CX135, Project No. 5610017-01), entered into in May 2005, by and between the State of California Department of Water Resources ("DWR") and the City (the "SRF Loan"), which was outstanding in the aggregate principal amount of \$14,050,881 as of July 1, 2014; and (ii) under the Installment Sale Agreement, dated as of November 1, 2012 (the "2012 ISA"), between the City and the Authority, which was outstanding in the aggregate principal amount of \$43,735,000 as of July 1, 2014. See the caption "THE WATER SYSTEM—Outstanding Obligations."

The obligation of the City to make the Installment Payments from the Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement is absolute and unconditional and is not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the City or otherwise with respect to the Water System, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until all of the Installment Payments, Additional Payments and other amounts coming due and payable under the Installment Sale Agreement have been fully paid or prepaid, the City will: (a) not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts; (b) perform and observe all other agreements contained in the Installment Sale Agreement; and (c) not terminate the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, failure to complete the acquisition and construction of the Projects by the estimated completion date thereof, sale of the Water System, the taking by eminent domain of title to or temporary use of any component of the Water System, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or the Installment Sale Agreement.

THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT SALE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION 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. THE OBLIGATION OF THE CITY TO MAKE THE INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES OF THE WATER SYSTEM AND DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The City has agreed in the Installment Sale Agreement to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority: (a) all Operation and Maintenance Costs estimated by the City to become due and payable during such Fiscal Year; (b) all Installment Payments and payments of principal and interest on the SRF Loan, the 2012 ISA and any Parity Debt coming due and payable during such Fiscal Year, without preference or priority; and (c) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues during such Fiscal Year.

In addition, the City has agreed to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which (together with existing unreserved, unrestricted working capital balances in the Water Fund, and taking into account allowances for contingencies) are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in clause (b) of the preceding paragraph for such Fiscal Year; provided, however, that in the event that the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues which meet such requirement in any Fiscal Year, such event will not constitute an Event of Default if the City meets the foregoing requirements in the following Fiscal Year.

No Reserve Fund

No reserve fund has been established under the Indenture or the Installment Sale Agreement in connection with the payment of the Bonds or the Installment Payments.

Redemption

The Bonds are subject to optional, extraordinary and mandatory sinking fund redemption, all as more fully described under the caption “THE BONDS—Redemption.”

Miscellaneous

Brief descriptions of certain provisions of the Indenture, the Installment Sale Agreement, the Bonds and certain other documents are included in this Official Statement. The descriptions and summaries of documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all of its respective terms and conditions. Copies of such documents are available for inspection at the City. All statements in this Official Statement with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors’ rights generally. The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement, any sale made hereunder, nor any future use of this Official Statement will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. For definitions of certain terms used in this Official Statement and not defined, see Appendix B.

THE PROJECTS; INSTALLMENT SALE AGREEMENT

Pursuant to the Installment Sale Agreement, the City will sell the Projects described below to the Authority in consideration for the Authority’s assistance in financing such Projects through the issuance of the Bonds, and the Authority will sell such facilities back to the City in consideration for the Installment Payments. Under no circumstances will the Authority have a security interest in or mortgage on the Projects

or other assets of the City, nor will a default under the Installment Sale Agreement or the Indenture result in the loss of the Projects or other assets of the City.

A portion of the proceeds of the Bonds are expected to be used by the City to undertake the following types of capital improvements to the Water System (collectively, the “Projects”): (i) retrofitting of two water storage tanks; (ii) the construction of a new groundwater well and improvements to an existing well; and (iii) water pipeline replacements.

The City currently expects to receive all necessary environmental and other approvals in connection with the Projects in a timely manner and to complete the construction of all components of the Projects in or before November 2018.

Pursuant to the terms of the Installment Sale Agreement, the City may from time to time amend any of the plans and specifications, and thereby change or modify the description of the Projects or any component thereof. Without limiting the generality of the foregoing, the City has the right to amend the description of the Projects for the purpose of including additional Projects not originally included therein. See Appendix B under the caption “INSTALLMENT SALE AGREEMENT—Construction of the Projects.”

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

<i>Sources of Funds</i> ⁽¹⁾	<i>Total</i>
Principal Amount of Bonds	\$ 16,645,000
Plus Net Original Issue Premium	<u>1,611,043</u>
<i>Total Sources</i>	\$ 18,256,043
<i>Uses of Funds</i> ⁽¹⁾	
Deposit to Project Fund	\$ 18,000,000
Costs of Issuance ⁽²⁾	<u>256,043</u>
<i>Total Uses</i>	\$ 18,256,043

⁽¹⁾ Amounts rounded to the nearest dollar.

⁽²⁾ Includes Underwriter’s discount, fees and expenses of Bond Counsel, Disclosure Counsel and Trustee, rating agency fees, printing costs, filing and reporting costs and other closing costs attributable to the Bonds.

THE BONDS

General Provisions

The Bonds will be issued in the aggregate principal amount of \$16,645,000. The Bonds will bear interest from and be dated the date of initial issuance, and will be payable upon maturity on the dates set forth on the inside front cover page hereof. Interest on the Bonds will be payable on January 1 and July 1 of each year, commencing January 1, 2015. Interest will be calculated at the rates set forth on the inside front cover page hereof on the basis of a year of 360 days comprised of twelve 30-day months.

The Bonds will be delivered only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. See the caption “—Book-Entry Only System” below and Appendix E.

If either: (i) DTC determines not to continue to act as Depository for the Bonds; or (ii) the Authority determines to terminate DTC as such, then the Authority will thereupon discontinue the book-entry system with DTC. In such event, DTC will cooperate with the Authority and the Trustee in the issuance of

replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. DTC, by accepting delivery of the Bonds, agrees to be bound by the foregoing provisions. If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds will no longer be required to be registered in the Registration Books in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging Bonds designate, in accordance with the provisions of the Indenture.

Book-Entry Only System

The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee will register the ownership of each Bond on the Registration Books in the name of Cede & Co. as nominee of DTC (the “Nominee”). Except as provided in the Indenture, the ownership of all of the Outstanding Bonds will be registered in the name of the Nominee on the Registration Books. As long as the ownership of the Bonds is registered in the name of Cede & Co., the term “Owner” as used in this Official Statement will refer to Cede & Co. and not to the actual purchasers of the Bonds (the “Beneficial Owners”).

With respect to Bonds the ownership of which is registered in the name of the Nominee, the Authority and the Trustee have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Authority and the Trustee have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds; (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption; (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part; (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal or interest on the Bonds; or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee will pay the principal of and the interest on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner will receive a Bond evidencing the obligation of the Authority to make payments of principal and interest under the Indenture. Upon delivery by the Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions in the Indenture with respect to Record Dates, such new nominee will become the Nominee under the Indenture for all purposes; and upon receipt of such a notice the Authority will promptly deliver a copy of the same to the Trustee.

See Appendix E for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

In the event that the book-entry system described above is discontinued, the Bonds will be printed and delivered as provided in the Indenture. Thereafter, any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied

by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee will collect any tax or other governmental charge on the transfer of any Bonds under the Indenture.

Whenever any Bond or Bonds is surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount.

The Authority will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee will collect any tax or other governmental charge on the exchange of any Bonds under the Indenture. The Authority will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

The Trustee may refuse to transfer or exchange, under the provisions of the Indenture, any Bonds selected by the Trustee for redemption, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

Redemption

Optional Redemption. The Bonds are subject to redemption in whole or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any Business Day on or after January 1, 2024, from any available source of funds, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

The Authority will give the Trustee written notice of its intention to redeem Bonds under the Indenture, and the manner of selecting such Bonds for redemption from among the maturities thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with the Indenture.

Mandatory Redemption. The Bonds maturing on January 1, 2039 and 2044 (collectively, the “Term Bonds”) are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following table; provided, however, that if some but not all of the Term Bonds have been redeemed as described under the captions “—Optional Redemption” or “—Special Mandatory Redemption From Insurance and Sale Proceeds,” the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

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TERM BONDS MATURING JANUARY 1, 2039

<i>Sinking Fund Redemption Date (January 1)</i>	<i>Principal Amount to be Redeemed</i>
2035	\$800,000
2036	840,000
2037	885,000
2038	925,000
2039*	975,000

* Final Maturity.

TERM BONDS MATURING JANUARY 1, 2044

<i>Sinking Fund Redemption Date (January 1)</i>	<i>Principal Amount to be Redeemed</i>
2040	\$1,025,000
2041	1,075,000
2042	1,130,000
2043	1,185,000
2044*	4,140,000

* Final Maturity.

Extraordinary Mandatory Redemption From Insurance and Sale Proceeds. The Bonds are subject to redemption as a whole or in part, on any Business Day, from and to the extent of the proceeds of disposition of Water System properties or the proceeds of hazard insurance not used to repair or rebuild the Water System, which proceeds are required to be used for such purpose under the Installment Sale Agreement, at a redemption price equal to the principal amount of the Bonds plus interest accrued thereon to the date fixed for redemption, without premium. See Appendix B under the captions “INSTALLMENT SALE AGREEMENT—Sale or Eminent Domain of Water System” and “INSTALLMENT SALE AGREEMENT—Insurance.”

The Authority will give the Trustee written notice of the special mandatory redemption of Bonds from insurance and sale proceeds, and the manner of selecting such Bonds for redemption from among the maturities and series thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with the Indenture.

Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations and of the same series, equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

Selection of Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee will select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Bond.

Notice of Redemption

The Trustee will mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board. Each notice of redemption will state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority has the right to rescind any notice of the redemption of Bonds under the Indenture by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Indenture.

Effect of Redemption

Notice of redemption having been duly given as described above under the caption “—Notice of Redemption,” and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on the redemption date designated in such notice, having been delivered, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of the Indenture will be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

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INSTALLMENT PAYMENT SCHEDULE

Set forth below is a schedule of Installment Payments and currently scheduled payments on the SRF Loan and the 2012 ISA for each annual period ending on June 30 of the years indicated. See the caption “THE WATER SYSTEM—Outstanding Obligations” for further information with respect to the SRF Loan and the 2012 ISA.

<i>Year Ending (June 30)</i>	<i>Installment Payment Principal</i>	<i>Installment Payment Interest⁽¹⁾</i>	<i>Parity Obligations⁽¹⁾⁽²⁾</i>	<i>Total Payments⁽¹⁾</i>
2015	\$ -	\$ 122,644	\$ 3,973,470	\$ 4,096,114
2016	-	774,594	3,969,411	4,744,005
2017	-	774,594	3,972,311	4,746,905
2018	-	774,594	3,972,305	4,746,899
2019	-	774,594	3,969,694	4,744,288
2020	-	774,594	3,968,934	4,743,528
2021	-	774,594	3,959,969	4,734,563
2022	-	774,594	3,958,051	4,732,645
2023	-	774,594	3,958,637	4,733,231
2024	-	774,594	3,966,385	4,740,979
2025	-	774,594	3,967,080	4,741,674
2026	-	774,594	3,963,151	4,737,745
2027	-	774,594	3,972,576	4,747,170
2028	-	774,594	3,963,326	4,737,920
2029	45,000	774,594	3,524,416	4,344,010
2030	680,000	773,131	2,894,956	4,348,087
2031	695,000	751,031	2,900,156	4,346,187
2032	725,000	727,575	2,895,453	4,348,028
2033	745,000	702,200	2,896,875	4,344,075
2034	775,000	676,125	2,894,000	4,345,125
2035	800,000	649,000	2,896,625	4,345,625
2036	840,000	609,000	2,894,500	4,343,500
2037	885,000	567,000	2,892,500	4,344,500
2038	925,000	522,750	2,895,250	4,343,000
2039	975,000	476,500	2,892,500	4,344,000
2040	1,025,000	427,750	2,894,000	4,346,750
2041	1,075,000	376,500	2,894,375	4,345,875
2042	1,130,000	322,750	2,893,375	4,346,125
2043	1,185,000	266,250	2,895,625	4,346,875
2044	<u>4,140,000</u>	<u>207,000</u>	<u>-</u>	<u>4,347,000</u>
TOTAL	<u>\$16,645,000</u>	<u>\$19,021,519</u>	<u>\$99,589,905</u>	<u>\$135,256,424</u>

⁽¹⁾ Amounts rounded to the nearest dollar.

⁽²⁾ Parity Obligations currently include the SRF Loan and the 2012 ISA, each of which is described under the caption “THE WATER SYSTEM—Outstanding Obligations.”

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

Pledge of Revenues. The Bonds are special limited obligations of the Authority payable solely from Revenues, which consist of Installment Payments received by the Authority from the City under the Installment Sale Agreement, and certain moneys derived from certain other funds and accounts held by the Trustee pursuant to the Indenture, other than the Project Fund. Neither the Bonds nor the Installment Payments are secured by amounts held by the City in the Project Fund established under the Indenture.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under the Indenture and held by the Trustee are

pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Such pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

Assignment to Trustee. Under the Indenture, the Authority has irrevocably transferred, assigned and set over to the Trustee, without recourse to the Authority, all of the Authority's rights in the Installment Sale Agreement (excepting only certain of the Authority's reserved rights as described therein), including but not limited to all of the Authority's rights to receive and collect all of the Installment Payments. The Trustee is entitled to collect and receive all of the Installment Payments, and any Installment Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will be paid by the Authority to the Trustee. The Trustee is also entitled to and will, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Installment Sale Agreement.

Deposit of Revenues in Bond Fund. All Revenues will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee will establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or the Installment Sale Agreement to be deposited in the Redemption Fund will be promptly deposited in such fund. All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of: (i) the principal of and interest on the Bonds or provision therefor under the Indenture; and (ii) any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the City.

Allocation of Revenues. On or before each Interest Payment Date, the Trustee will transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

- (a) **Deposit to Interest Account.** The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.
- (b) **Deposit to Principal Account.** The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including the principal amount of Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under the Indenture.

All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates, and the principal amount of Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under the Indenture.

NEITHER THE FULL FAITH AND CREDIT NOR ANY OTHER REVENUES OR FUNDS OF THE AUTHORITY ARE PLEDGED TO OR AVAILABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS. THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH

THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

Installment Payments Payable from Net Revenues

Pledge of Net Revenues. All of the Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Indenture have been irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments. Such pledge, charge and assignment constitutes a lien on the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms of the Installment Sale Agreement, which lien is on a parity with the pledge and lien which secures the SRF Loan, the 2012 ISA and any Parity Debt.

Net Revenues consist of Gross Revenues of the Water System received during any period and remaining after payment of Operation and Maintenance Costs becoming payable during such period (as such terms are defined below). The Installment Payments are payable on a parity with the City's obligation to make payments under the SRF Loan and the 2012 ISA, as described below under the caption "—Flow of Funds." See the caption "THE WATER SYSTEM—Outstanding Obligations."

"Gross Revenues" means all gross charges received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to investment earnings thereon; but excluding: (a) connection charges; (b) the proceeds of any ad valorem property taxes levied for the purpose of paying general obligation bonds of the City relating to the Water System; and (c) the proceeds of any special assessments or special taxes levied to finance improvements to the Water System or to repay obligations incurred to finance improvements to the Water System.

"Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Water System, including but not limited to: (a) the cost of acquiring water, including but not limited to all costs paid by the City under the State Water Contract during any period of time during which the City is taking delivery of water thereunder; (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order; (c) the reasonable administrative costs of the City attributable to the operation and maintenance of the Water System; and (d) transfers made to other funds of the City for the purpose of paying or reimbursing the payment of Operation and Maintenance Costs. Operation and Maintenance Costs do not include: (i) interest expense relating to obligations of the City with respect to the Water System; (ii) depreciation, replacement and obsolescence charges or reserves therefor; (iii) payments made by the City under the State Water Contract during any period of time during which the City is not taking delivery of water thereunder; and (iv) amortization of intangibles or other bookkeeping entries of a similar nature.

"Water System" means the entire water supply, treatment, storage and distribution system of the City, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the City for the supply, treatment and storage of water to residents of the City and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the City. The Water System does not include facilities for the disposal of recycled wastewater.

THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT SALE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION 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. THE OBLIGATION OF THE CITY TO MAKE THE INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES OF THE WATER SYSTEM AND DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OF CALIFORNIA OR ANY

POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Flow of Funds. The City has previously established the Water Fund, which the City will continue to hold and maintain for the purposes and uses set forth in the Installment Sale Agreement. The City will deposit all Gross Revenues in the Water Fund immediately on receipt. The City will apply amounts in the Water Fund as set forth in the Installment Sale Agreement, the 2012 ISA and any Parity Debt Documents. The City will apply amounts on deposit in the Water Fund to pay when due the following amounts in the following order of priority:

- (i) all Operation and Maintenance Costs;
- (ii) the Installment Payments and all payments of principal of and interest on the SRF Loan, the 2012 ISA and any Parity Debt;
- (iii) any other payments required to comply with the provisions of the Installment Sale Agreement, the documents relating to the SRF Loan, the 2012 ISA and any Parity Debt Documents, including but not limited to payments required to restore the required balances in the reserve fund which has been established for the SRF Loan and any reserve funds which may be established for Parity Debt; and
- (iv) any other purposes authorized under the Indenture as described below under the caption “— Other Uses Permitted.”

No Preference or Priority. Payment of the Installment Payments, the SRF Loan, the 2012 ISA and the principal of and interest on any Parity Debt will be made without preference or priority. If the amount of Net Revenues on deposit in the Water Fund are at any time insufficient to enable the City to pay when due the Installment Payments, the SRF Loan, the 2012 ISA and the principal of and interest on any Parity Debt, such payments will be made on a pro rata basis.

Other Uses Permitted. The City will manage, conserve and apply the amounts on deposit in the Water Fund in such a manner that all deposits required to be made under the Installment Sale Agreement will be made at the times and in the amounts so required. Subject to the foregoing, so long as no Event of Default has occurred and is continuing, the City may use and apply moneys in the Water Fund for: (1) the payment of any subordinate obligations or any unsecured obligations; (2) the acquisition and construction of improvements to the Water System; (3) the prepayment of any other obligations of the City relating to the Water System; or (4) any other lawful purposes of the City.

Budget and Appropriation of Installment Payments. During the Term of the Installment Sale Agreement, the City will adopt all necessary budgets and make all necessary appropriations of the Installment Payments from the Net Revenues. If any Installment Payment requires the adoption by the City of a supplemental budget or appropriation, the City will promptly adopt the same. The foregoing covenants on the part of the City are duties imposed by law and it is the duty of each and every public official of the City to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants and agreements.

Special Obligation of the City; Obligations Absolute. The City’s obligation to pay the Installment Payments and any other amounts coming due and payable under the Installment Sale Agreement is a special obligation of the City limited solely to the Net Revenues. Under no circumstances is the City required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments and such other amounts, and no other funds or property of the City are liable for the payment of the Installment Payments.

The obligation of the City to make the Installment Payments from the Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement is absolute and unconditional and is not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the City or otherwise with respect to the Water System, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until all of the Installment Payments, Additional Payments and other amounts coming due and payable under the Installment Sale Agreement have been fully paid or prepaid, the City will: (a) not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts; (b) perform and observe all other agreements contained in the Installment Sale Agreement; and (c) not terminate the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, failure to complete the acquisition and construction of the Projects by the estimated completion date thereof, sale of the Water System, the taking by eminent domain of title to or temporary use of any component of the Water System, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or the Installment Sale Agreement.

See Appendix B under the caption “INSTALLMENT SALE AGREEMENT—Installment Payments; Pledge of Net Revenues” for further information with respect to the pledge securing the Installment Payments.

No Reserve Fund

No reserve fund has been established under the Indenture or the Installment Sale Agreement in connection with the payment of the Bonds or the Installment Payments.

Rate Covenant

The City has agreed in the Installment Sale Agreement to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority: (a) all Operation and Maintenance Costs estimated by the City to become due and payable during such Fiscal Year; (b) all Installment Payments and payments of principal and interest on the SRF Loan, the 2012 ISA and any Parity Debt coming due and payable during such Fiscal Year, without preference or priority; and (c) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues during such Fiscal Year.

In addition, the City has agreed to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which (together with existing unreserved, unrestricted working capital balances in the Water Fund, and taking into account allowances for contingencies) are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in clause (b) of the preceding paragraph for such Fiscal Year; provided, however, that in the event that the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues which meet such requirement in any Fiscal Year, such event will not constitute an Event of Default if the City meets the foregoing requirements in the following Fiscal Year.

Additional Obligations

No Additional Senior Lien Debt. The City will not issue or incur any additional bonds or other obligations during the Term of the Installment Sale Agreement having any priority in payment of principal or interest out of the Gross Revenues over the Installment Payments.

Issuance of Parity Debt. Except for obligations incurred to prepay or discharge the Installment Payments or any Parity Debt as described herein, the City will not issue or incur any Parity Debt during the Term of the Installment Sale Agreement unless all of the following conditions precedent are satisfied:

- (a) no Event of Default has occurred and is continuing;
- (b) the amount of Net Revenues as shown by the books of the City for the most recent completed Fiscal Year for which audited financial statements of the City are available or for any more recent consecutive 12-month period selected by the City, in either case verified by an Independent Accountant or a Financial Consultant or shown in the audited financial statements of the City, are at least equal to 120% of the amount of Debt Service (as such term is defined in Appendix B) for such Fiscal Year or more recent 12-month period;
- (c) the amount of Net Revenues as shown by the books of the City for the most recent completed Fiscal Year for which audited financial statements of the City are available or for any more recent consecutive 12-month period selected by the City, in either case verified by an Independent Accountant or a Financial Consultant or shown in the audited financial statements of the City, plus at the option of the City any Additional Revenues, are at least equal to 120% of the amount of Debt Service which would have accrued for such Fiscal Year or more recent 12-month period had the proposed issue of Parity Debt been outstanding during the whole of such Fiscal Year or more recent 12-month period;
- (d) the amount of Net Revenues which the City estimates it will receive during each of the three Fiscal Years immediately following the issuance of such Parity Debt are at least equal to 120% of the amount of Debt Service coming due and payable on the Installment Payments, the SRF Loan, the 2012 ISA and all Parity Debt which would be outstanding during each of such Fiscal Years, as evidenced by a Written Certificate of the City filed with the Trustee and verified by an Independent Accountant or a Financial Consultant;
- (e) the trustee or fiscal agent (if any) for such Parity Debt is the same entity performing the functions of Trustee under the Indenture;
- (f) the principal of and interest on such Parity Debt may be made payable only on January 1 and July 1 of each year during the term thereof; and
- (g) the City delivers to the Trustee a Written Certificate of a City Representative certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

Notwithstanding the foregoing provisions, the City is not required to meet the requirements of the foregoing subsections (b), (c) or (d) with respect to the issuance of any Parity Debt the proceeds of which are applied to prepay or discharge the Installment Payments, the SRF Loan, the 2012 ISA or any other issue of Parity Debt, provided that as a result of such prepayment or discharge the aggregate amount of Debt Service on the Installment Payments, SRF Loan, the 2012 ISA and all Parity Debt which will be outstanding following the issuance of such Parity Debt will be reduced in every Fiscal Year.

“Additional Revenues” means, with respect to the issuance of any Parity Debt, any or all of the following amounts: (i) an allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such Parity Debt, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent 12-month period selected by the City, all as shown by the certificate or opinion of an Independent Accountant or Financial Consultant; or (ii) an allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such Parity Debt but which, during all or any part of such Fiscal Year or such other 12-month period selected by the City, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been

increased if such increase in charges had been in effect during the whole of such Fiscal Year or such other 12-month period, all as shown by the certificate or opinion of an Independent Accountant or Financial Consultant.

The Installment Sale Agreement has been entered into as “Parity Debt” in accordance with and within the meaning of the 2012 ISA.

Junior and Subordinate Debt. Nothing in the Installment Sale Agreement limits or affects the ability of the City to issue or incur obligations which are either unsecured or which are secured on a basis which is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Installment Sale Agreement.

Investment of Funds

The Indenture sets forth certain conditions on the investment of Water System funds and funds and accounts created under the Indenture. See Appendix B under the caption “INDENTURE OF TRUST—Investment of Funds.”

Insurance

The City will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System; provided, however, that the City is not required to maintain earthquake insurance with respect to the Water System or any component thereof. All amounts collected from insurance against accident to or destruction of any portion of the Water System, will be used, at the option of the City, either: (a) to repair or rebuild such damaged or destroyed portion of the Water System; or (b) to prepay the Installment Payments under the Installment Sale Agreement or prepay the SRF Loan, the 2012 ISA or any Parity Debt in accordance with the provisions thereof.

The City will also maintain, with responsible insurers, worker’s compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Authority, the Trustee and the Owners of the Bonds. Any policy of insurance required under the Installment Sale Agreement may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance.

Neither the Installment Sale Agreement nor the Indenture require the City to maintain earthquake insurance with respect to the Water System facilities. See the caption “THE WATER SYSTEM—Water System Insurance.”

THE CITY

The City is located approximately 65 miles northwest of Los Angeles in southern Ventura County. The City encompasses an area of approximately 32 square miles and its 2014 population is estimated to be approximately 109,000. The City was incorporated as a town on March 10, 1866, was recognized as a city in the State by election on December 4, 1905 and was certified on January 5, 1906. The City Charter was initially adopted on January 7, 1932 and was revised most recently on November 7, 1995. The City operates under an elected Council and appointed City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (maintenance services and engineering), community services, general administrative services and water and wastewater utilities (through the City’s Ventura Water Department (“Ventura Water”). The City’s Fiscal Year 2013 comprehensive annual financial report is set forth in Appendix A.

THE WATER SYSTEM

General

In Fiscal Year 2014, the Water System supplied approximately 16,431 acre feet of potable water to approximately 113,000 people within the Water System service area through approximately 31,779 residential, commercial, industrial and public agency connections.

The Water System consists of various physical components, the most significant of which include water conditioning (or treatment) facilities, wells, reservoirs, booster pump stations and pipelines. The Water System has 3 sources of water: (a) wells; (b) purchases from Casitas Municipal Water District (“Casitas”); and (c) water from the Ventura River. See the caption “—Water Supply.”

Water Treatment Facilities. The City has three facilities to condition and treat potable water before it enters the distribution pipeline system for consumption: (1) North Ventura Avenue Water Purification Plant, with a capacity of 10 million gallons per day (“MGD”); (2) Bailey Water Conditioning Facility, with a capacity of 13.8 MGD; and (3) Saticoy Water Conditioning Facility, with a capacity of 3.5 MGD.

The North Ventura Avenue Purification Plant is an Ultra Filtration Treatment Plant in which the City’s water supply is treated through: (a) coagulation, a process through which chemicals are added to raw water and then rapidly mixed so that small suspended particles form that are referred to as floc; (b) flocculation, a gentle agitation of these small clumps for the purpose of forming larger clumps and entrapping bacteria, viruses, silt, clay and other particles found in raw surface water; (c) ultra-filtration, the polishing process in which all floc or suspended particles are removed through a membrane filtering process; and (d) disinfection, a process which destroys the pathogenic organisms (bacteria) through the injection of chloramines into the finished water. The North Ventura Avenue Purification Plant treats raw water from the Ventura River surface flow and subsurface flow.

The Bailey Conditioning Facility and the Saticoy Water Conditioning Facility treat deep well water from the City’s Mound Well 1, Victoria Well 2, Saticoy Well 2 and both Golf Course Wells. See the caption “—Wells.” Groundwater extracted from these wells has a high iron and manganese content. The treatment process that is undertaken at the Bailey Conditioning Facility and the Saticoy Water Conditioning Facility removes turbidity, iron and manganese through a chlorine oxidation process. Once the iron and manganese have been oxidized, they are removed by filtration and the water is chloraminated for the purpose of disinfection before entering the distribution system. The majority of water produced by the Bailey Conditioning Facility and Saticoy Water Conditioning Facility supplies the eastern portion of the City.

Wells. The City has 4 well groups, with 9 active wells, including: (a) 2 Golf Course Wells, which are located in the Fox Canyon Aquifer of the Oxnard Plain Basin (the “Oxnard Plain Basin”), an adjudicated groundwater basin that is regulated by the Fox Canyon Groundwater Management Agency (the “FCGMA”), a public agency; (b) Mound Well 1 and Victoria Well 2, which are deep wells located in the Mound Basin, an adjudicated groundwater basin that is overseen by the United Water Conservation District (“United”); (c) Saticoy Well 2, which is located in the Santa Paula Basin, a groundwater basin that is managed under a stipulated judgment entered into in 1996 (as amended, the “1996 Judgment”); and (d) 3 Foster Park Nye Wells and 1 subsurface intake well located in the Upper Ventura River Basin, an unregulated groundwater basin, which wells are used to extract water from the Ventura River. See the captions “—Water Supply—Groundwater” and “—Water Supply—Ventura River.”

Reservoirs. The Water System includes 27 water tanks and reservoirs. The water tanks and reservoirs have a combined capacity of approximately 52,110,000 gallons. The City’s reservoirs are composed of steel reinforced concrete or circular post-tensioned construction.

Booster Pump Stations. The Water System has 21 booster pump stations, which pump water from lower elevations of the water source to the various higher pressure zones in the system. The system's highest existing zone has a water surface elevation of 1,035 feet. The Water System includes 16 pressure zones at varying elevations to maintain pressure at the customer's tap between 35 to 110 pounds per square inch.

Pipelines. The Water System consists of approximately 380 miles of pipeline, including approximately 25 miles of transmission lines. Most transmission mains range in size from 12 to 36 inches in diameter. Distribution mains range in size from 4 to 24 inches in diameter. The distribution system typically forms a loop pattern. This increases delivery capabilities and reliability in case of water line outages, as well as fire flow capabilities. The City's pipelines are composed of cast iron, steel, asbestos cement, plastic and ductile iron.

Service Area

The service area of the Water System encompasses approximately 32 square miles, including all of the City and certain unincorporated areas of the County of Ventura that are located adjacent to City boundaries, including the community of Saticoy. The service area is bounded on the west by the Ventura River, on the north by Canada Larga Road, on the east by the Franklin-Wasson Barranca and the Santa Clara River and on the south by the Pacific Ocean. The total population of the service area is estimated to be approximately 113,000. The service area has elevations varying from sea level to 1,035 feet.

Land Use

The Water System service area is mostly built out and includes single family residences, multifamily residential units, industrial and commercial properties. Approximately 10% of the land within the Water System service area is undeveloped. The City currently expects the Water System service area to be fully built out in 2035 with an estimated population of 140,000.

Water Supply

The City currently has three sources of water: (a) groundwater extracted from 5 active wells described under the caption "—General—Wells;" (b) water purchased from Casitas; and (c) Ventura River surface water (when available) and subsurface water. The City believes that such sources are sufficient to meet the projected requirements of its customers.

Groundwater. Approximately 53% of the Water System's water supply was pumped from groundwater in Fiscal Year 2014. The Water System pumps groundwater from 5 active wells located in the Oxnard Plain Basin, the Mound Basin and the Santa Paula Basin. Total maximum daily production capability from the City's wells is approximately 8,100 gallons per minute.

Oxnard Plain Basin. The Oxnard Plain Basin is regulated by the FCGMA. The Board of the FCGMA is comprised of five persons representing: (i) the County of Ventura; (ii) United; (iii) the seven small water districts within the FCGMA's jurisdiction; (iv) the five incorporated cities (including the City) within the FCGMA's jurisdiction; and (v) farmers, respectively. In 1990, the FCGMA adopted an ordinance that reduced the amount of groundwater permitted to be extracted from the Fox Canyon Aquifer of the Oxnard Plain Basin by 5% every 5 years until a 25% reduction was reached by the year 2010. As a result of such ordinance, the current amount of groundwater extracted from the City's wells in the Oxnard Plain Basin is approximately 4,100 acre feet per year.

On April 11, 2014, in response to the Statewide drought declaration described under the caption "—Drought Declaration," the Board of the FCGMA approved Emergency Ordinance E, which limits extractions from groundwater facilities within the Oxnard Plain Basin, suspends use of credits and prohibits the construction of any new groundwater extraction facilities and the issuance of any groundwater extraction

facilities permits. For all municipal and industrial (“M&I”) groundwater producers regulated by the FCGMA (including the City), a Temporary Extraction Allocation (the “TEA”) has been established based on each producer’s average annual reported extractions for calendar years 2003 through 2012. Phased reductions in groundwater extraction began on July 1, 2014, with a 20% total reduction of the TEA to be effected on January 1, 2016. The City’s TEA is currently 4,827 acre feet per year; upon implementation of the phased reductions described in the previous sentence, the City’s TEA will be 3,862 acre feet per year on January 1, 2016 (a reduction of approximately 6% from the City’s current average extraction of approximately 4,100 acre feet per year). Emergency Ordinance E will be reviewed by the Board of the FCGMA every 18 months, but will remain in effect unless superseded or rescinded by action of the Board of the FCGMA or a finding that a drought or emergency condition no longer exists.

Mound Basin. The Mound Basin is overseen by United pursuant to the findings of certain studies relating to the Mound Basin. United was formed in 1950 under the State’s Water Conservation District Law of 1931 and is organized as a government special district. See the caption “—United Water Conservation District” below for further information with respect to United’s stewardship of the Mound Basin. In addition to the City, various agricultural interests and private wells extract groundwater from the Mound Basin. The water extracted from the deep wells of the Mound Basin is high in iron and manganese and must be treated by the City before distribution. See the caption “—General—Water Treatment Facilities.” In Fiscal Year 2014, the City extracted approximately 3,576 acre feet of groundwater from its 2 wells in the Mound Basin. Over the past ten Fiscal Years, the City’s average water supply from the Mound Basin has been approximately 3,000 acre feet per year.

Santa Paula Basin. In 1996, the Superior Court for the State of California, County of Ventura, approved the 1996 Judgment with respect to the management of the Santa Paula Basin. The 1996 Judgment recognized the rights of the City and members of the Santa Paula Basin Pumpers Association, an association of ranchers and businesses, to extract groundwater from the Santa Paula Basin. In 2003, the Santa Paula Basin Expert Group determined that the average operational yield of the Santa Paula Basin is approximately 26,000 acre feet per year, subject to annual adjustment. Under the 1996 Judgment, the City is entitled to pump up to 21,000 acre feet during each seven-year period from its well in the Santa Paula Basin. In Fiscal Year 2014, the City extracted approximately 608 acre feet of groundwater from its well in the Santa Paula Basin, which is significantly less than its entitlement.

United Water Conservation District. Groundwater in the Oxnard Plain Basin often has a high salt content as a result of pumping, leading to seawater intrusion. In 1927, local groundwater users established the predecessor to United to recharge groundwater and prevent seawater intrusion into groundwater in the City and a surrounding area of approximately 22 square miles encompassing the Santa Clara River Valley and the Oxnard Coastal Plain. United oversees the groundwater within its boundaries but does not provide any water to the City. United currently diverts approximately 10,500 acre feet of water per year from the Santa Clara River and related tributaries for recharging and undertakes various strategies to prevent seawater intrusion into the Oxnard Plain Basin. The City pays United approximately \$1,413,000 per year in the form of extraction charges for the City’s wells located within United’s boundaries in order to pay the fees imposed by United. An average of approximately one third of the City’s water supply in any year comes from the groundwater basins within United’s boundaries.

In 2011, 2012 and 2014, the City initiated litigation against United to challenge increases in groundwater extraction charges approved by United’s board of directors. The City’s complaints allege that United’s extraction charge increases violate Proposition 218 (as discussed under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218”) by imposing fees on the City and other M&I users that exceed the groundwater replenishment and capital improvement benefits provided by United to such users, while imposing extraction charges on agricultural users that are disproportionately low in comparison to the groundwater replenishment and capital improvement benefits enjoyed by such users. The City further alleges that United’s extraction charges for M&I customers are approximately three times United’s extraction charges for agricultural users although it is not three times as

costly to serve M&I customers. According to United's fiscal year 2014 budget, M&I users will account for approximately 23% of the groundwater pumped from the basins that United oversees, while extraction charges levied on M&I users will generate approximately 46% of United's fiscal year 2014 revenues. The City further alleges that United's extraction charge structure negatively affects the stewardship of the groundwater basins that United oversees by failing to provide disincentives to agricultural users to pump groundwater.

The City's litigation against United is currently pending and there can be no assurance that the City will prevail in its challenges to United's extraction charges.

The City is currently seeking leave to amend its complaint with respect to United Fiscal Year 2014 groundwater extraction charges in order to add similar allegations with respect to United's Fiscal Year 2015 charges. The projected Operation and Maintenance Costs set forth under the caption "WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage" assume that the City will pay groundwater extraction charges to United that are currently approved by United. There can be no assurance as to the outcome of the City's litigation against United. See the captions "CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions" and "CERTAIN RISKS TO BONDHOLDERS—Water System Expenses." Notwithstanding the foregoing, however, pursuant to an ordinance adopted by the City Council on May 20, 2014, any increases in the City's groundwater extraction charges imposed by United will be passed through to Water System customers in the form of increased water rates.

The City's wells in the Upper Ventura River Basin are used to extract water from the Ventura River. See the caption "—Ventura River" below.

See the caption "—Drought Declaration" for a discussion of the effect of the Statewide drought on the City's groundwater production.

Sustainable Groundwater Management Act. On September 16, 2014, the State Governor signed Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the "Sustainable Groundwater Management Act," or "SGMA") into law. The SGMA constitutes a legislative effort to regulate groundwater on a Statewide basis. Under the SGMA, DWR is required to designate groundwater basins in the State as high, medium, low or very low priority for purposes of groundwater management by January 31, 2015. By January 31, 2017, local groundwater producers must establish or designate an entity (referred to as a groundwater sustainability agency, or "GSA"), subject to DWR's approval, to manage each high and medium priority groundwater basin. Each GSA is tasked with submitting a groundwater sustainability plan for DWR's approval by January 31, 2020. Alternatively, groundwater producers can submit a groundwater management plan under Part 2.75 of the California Water Code or an analysis for DWR's review demonstrating that a groundwater basin has operated within its sustainable yield for at least 10 years. Such alternative plan must be submitted by January 31, 2017 and updated every five years thereafter.

If local groundwater producers do not create or nominate an entity to serve as a GSA, the SGMA authorizes DWR to assume management of a groundwater basin until such time as a GSA can perform such functions.

GSAs must consider the interests of all groundwater users in the basin and may require registration of groundwater users, the installation of flow meters to measure groundwater extractions and annual reporting of extractions. In addition, GSAs are authorized to impose spacing requirements on new wells, monitor, regulate and limit or condition groundwater production and establish production allocations among groundwater producers, among other powers. GSAs are authorized to impose fees to fund such activities and to fine or issue cease and desist orders against producers that violate the GSA's regulations. Groundwater sustainability plans must include sustainability goals and a plan to implement such goals within 20 years.

The SGMA specifically exempts the Santa Paula Basin, which has been adjudicated pursuant to the 1996 Judgment, from the requirement to establish a groundwater sustainability plan and certain other provisions. See the caption “—Santa Paula Basin.” The City is studying the provisions of the SGMA, but does not currently expect its groundwater extraction rights or costs in the Santa Paula Basin to change significantly as a result of the enactment of the SGMA.

The City’s wells in the Oxnard Plain Basin and the Mound Basin are presently metered. The SGMA specifically calls for FCGMA, which regulates the Oxnard Plain Basin, to serve as the GSA for such basin. See the caption “—Oxnard Plain Basin.”

The City is unable to determine whether DWR will designate the Oxnard Plain Basin or the Mound Basin as high or medium priority groundwater basins for which groundwater sustainability plans are required to be adopted. The City notes that, under the SGMA, the criteria that DWR will apply in assessing the priority of groundwater basins include the following: (i) the population overlying the basin; (ii) the rate of current and projected population growth; (iii) the number of wells in the basin; (iv) the irrigated acreage overlying the basin; (v) the degree to which groundwater is the primary water source for the population overlying the basin; and (vi) any documented impacts on the basin, including overdraft, subsidence, saline intrusion and water quality degradation.

The City is unable at this time to determine the possible future effects on the City’s groundwater extraction rights or costs in the Oxnard Plain Basin or the Mound Basin as a result of the SGMA. However, the City does not currently expect the enactment of the SGMA to have a material adverse effect on the City’s ability to generate sufficient Net Revenues to pay the Installment Payments.

See the caption “—Drought Declaration” for a discussion of the effect of the Statewide drought on the City’s groundwater production.

State Water Contract and 1995 Agreement. In 1963, the State, acting through DWR, entered into an agreement (the “1963 Agreement”) with the Ventura County Flood Control District (the “Flood Control District”) under which the State agreed to make water available to the Flood Control District from the State Water Project (the “SWP”) and the Flood Control District agreed to make certain payments to the State. The Flood Control District subsequently assigned its interest in the 1963 Agreement to Casitas, a municipal water district that was established in 1952. As a result, Casitas has an SWP water allocation, although it does not currently have infrastructure in place that would allow it to take SWP water. In addition to its SWP water allocation, Casitas has the right to divert water from Lake Casitas and the Ventura River on a second priority basis to the City’s rights. See the caption “—Ventura River.” The City purchases water from Casitas supplied through such additional sources pursuant to the 1995 Agreement described below.

When the 1963 Agreement was entered into, the boundaries of Casitas included all of the City. As the City expanded, only a portion of the City remained within Casitas’ boundaries. In 1971, Casitas and the City entered into a contract relating to the allocation of SWP rights within the City entitled “A Contract for Allocation of State Water Plan Water Between Casitas Municipal Water District and City of San Buenaventura” dated July 7, 1971 (the “State Water Contract”). Under the State Water Contract, the City agreed to purchase an annual entitlement to 10,000 acre feet of SWP water and to pay a proportionate share of the amounts payable under the 1963 Agreement, including fixed and variable costs of Casitas related to the SWP. The State Water Contract expires in 2035 and includes an extension option. Casitas and DWR are currently negotiating an extension of the State Water Contract through approximately 2085, a process that is expected to take at least two years. There can be no assurance that such extension will be executed or on what terms.

To date, the City has never received SWP water and does not currently have infrastructure in place that would allow it to take SWP water. Accordingly, the City sells its 10,000 acre foot allocation on an annual basis through the SWP’s excess entitlement procedures. The City’s revenues from such sale are generally less

than the City's payments under the State Water Contract, as described below. The City is currently exploring the possibility of entering into a multiyear sale or assignment of its SWP allocation. There can be no assurance that such sale or assignment will be consummated.

The City's obligations under the State Water Contract are not secured by a pledge of or lien on any of the revenues received by the City from the Water System. The City's obligation to make payments for water purchases under the State Water Contract is payable as an Operation and Maintenance Cost of the Water System. However, so long as the City is not taking water under the State Water Contract, payments made by the City thereunder do not constitute Operation and Maintenance Costs and are payable on a subordinate basis to the Installment Payments. The City believes that its existing water sources are sufficient to meet the needs of its customers and does not currently plan to take water under the State Water Contract. However, there can be no assurance that the City will not take water under the State Water Contract in the future. See the captions "CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions" and "CERTAIN RISKS TO BONDHOLDERS—Water System Demand and Revenues."

If the City were to take water under the State Water Contract, the costs of purchasing such water would constitute Operation and Maintenance Costs of the Water System and the City would need to make significant capital expenditures to construct the infrastructure required to take SWP water. Such expenditures could reduce Water System reserves and Net Revenues available to pay the Installment Payments and could require increases in Water System rates and charges to enable the City to comply with the rate covenants under the Installment Sale Agreement. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Covenant."

In Fiscal Year 2014, the City paid approximately \$1,372,559 to Casitas pursuant to the State Water Contract, including fixed costs, and received interest earnings, credits and refunds in the approximate amount of \$198,000 from Casitas pursuant to the State Water Contract, for a net payment of approximately \$1,174,559. As described above, the City recoups a portion of such net payment each year through the sale of its SWP allocation to other parties.

DWR and Casitas face various challenges in the continued supply of imported SWP water. A description of these challenges as well as a variety of other operating information with respect to DWR and Casitas is included in certain disclosure documents prepared by DWR and Casitas, respectively. DWR and Casitas have certain publicly available documents and have entered into certain continuing disclosure agreements pursuant to which each is contractually obligated for the benefit of owners of certain of their outstanding obligations to file certain annual reports, notices of certain enumerated events as defined under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12") and annual audited financial statements (the "DWR Information," and the "Casitas Information," respectively) with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") at <http://emma.msrb.org>. None of the DWR Information or the Casitas Information is incorporated into this Official Statement by reference thereto, and the City makes no representation as to the accuracy or completeness of such information. **DWR AND CASITAS HAVE NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE CITY, THE AUTHORITY, THE TRUSTEE OR THE OWNERS OF THE BONDS TO PROVIDE DWR INFORMATION OR CASITAS INFORMATION TO THE CITY OR THE OWNERS OF THE BONDS.**

DWR AND CASITAS HAVE NOT REVIEWED THIS OFFICIAL STATEMENT AND HAVE NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO DWR AND CASITAS, RESPECTIVELY. DWR AND CASITAS ARE NOT CONTRACTUALLY OBLIGATED, AND HAVE NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE CITY OR THE OWNERS OF THE BONDS UNDER RULE 15c2-12.

In addition to the State Water Contract, the City entered into an agreement with Casitas in 1995 (the “1995 Agreement”) under which the City agreed, except in drought conditions, to purchase a minimum of 6,000 acre feet of treated water annually from Casitas. The City can also purchase up to an additional 8,000 acre feet of treated water annually, if available. Casitas supplies such water to the City from Lake Casitas. Water purchased under the 1995 Agreement is generally expected to supply the portion of the Water System service area that is within the boundaries of Casitas, but the City may use such water to supply portions of the Water System service area that are outside of the boundaries of Casitas upon payment to Casitas of a surcharge. Such surcharge varies in amount based on Lake Casitas’ water level. In the past five Fiscal Years, the City paid an average surcharge of approximately \$194,653 per year. The projected Operation and Maintenance Costs shown under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage” include the payment of such a surcharge in the average amount of approximately \$475,000 per year pursuant to the 1995 Agreement. The City and Casitas are currently renegotiating the terms of the 1995 Agreement. There can be no assurance that the renegotiated contract will not include materially different terms.

Ventura River. The Ventura River has supplied the City with water since 1870. Since the early 1930s, the Ventura River has supplied an average of approximately 5,000 acre feet per year of water to the City. The City extracts water from the Ventura River through 3 Foster Park Nye wells and 1 subsurface intake well in the Upper Ventura River Basin. The City expects that the Ventura River will continue to provide the City with between 200 acre feet to 6,700 acre feet of water annually. Although water rights to the Ventura River have not been adjudicated, the City has, from the date of its existence, always had first rights to all water from the Ventura River. The City takes, treats and uses all of the Ventura River water that it can divert in a sustainable manner. In 1923, the City established a claim to 80 cubic feet per second of water in the Ventura River, which was more water than actually existed therein. Casitas diverts a portion of the upstream water flow through the Ventura River. However, Casitas must allow a bypass of no less than 20 cubic feet per second to flow downstream.

The Upper Ventura River Basin has not been adjudicated and is not regulated by any other agency. The City collaborated with the United States Environmental Protection Agency, the State Water Resources Control Board (the “SWRCB”) and environmental and community groups in the development of the Ventura River Total Maximum Daily Loads (the “TMDLs”), which were approved on June 28, 2013. The TMDLs establish maximum pollutant levels and other nonpoint and naturally occurring background source levels that the Ventura River can receive while still meeting water quality standards. In Fiscal Year 2014, the City diverted approximately 2,684 acre feet of Ventura River water from its wells within the Upper Ventura River Basin for treatment and delivery to Water System customers.

On September 19, 2014, Santa Barbara Channelkeeper (“SBCK”), an environmental group, filed a complaint (the “SBCK Complaint”) against the SWRCB and the City in the Superior Court of California, County of San Francisco. The SBCK Complaint alleges that the amount of water that the City diverts from the Ventura River is unreasonable pursuant to the reasonable use and public trust doctrines set forth in Section 275 of the California Water Code and Article X, Section 2 of the California Constitution, respectively. The SBCK Complaint seeks: (i) a declaration that the amount of water that the City diverts from the Ventura River during summer months is unreasonable; and (ii) an order compelling the SWRCB to conduct an analysis of the City’s diversion of water from the Ventura River. No monetary relief is sought against the City. SBCK served the SBCK Complaint on the City on September 23, 2014.

The City is currently analyzing the SBCK Complaint in order to formulate its response thereto. If SBCK were to prevail on the allegations in the SBCK Complaint, the court would likely order the SWRCB to undertake a study of the City’s use of Ventura River water. Such a study could take several years to complete. Although it is possible that such a study could curtail or condition the City’s water rights in the Ventura River, the City would be a full participant in the study and have the opportunity to comment on the development of any mandatory or recommended actions set forth therein. The City does not currently expect the SBCK Complaint to have a material effect on the City’s water rights in the Ventura River or the City’s ability to make

the Installment Payments from Net Revenues. See the caption “CERTAIN RISKS TO BONDHOLDERS—Statutory and Regulatory Compliance.”

Drought Declaration. On January 17, 2014, the State Governor declared a drought state of emergency (the “Declaration”) with immediate effect. The Declaration includes the following orders, among others: (a) local urban water suppliers, including the City, are encouraged to implement their local water shortage contingency plans (the City’s plan is discussed below); (b) local urban water suppliers, including the City, are encouraged to update their urban water management plans to prepare for extended drought conditions; (c) DWR and the SWRCB are directed to expedite the processing of water transfers; (d) the SWRCB is directed to put water rights holders on notice that they may be required to cease or reduce water diversions in the future; (e) the SWRCB is directed to consider modifying requirements for reservoir releases or diversion limitations; and (f) DWR is directed to take necessary actions to protect water quality and supply in the Sacramento-San Joaquin River Delta/San Francisco Bay Estuary, including the installation of temporary barriers or temporary water supply connections, while minimizing impacts to aquatic species. In addition, on July 15, 2014, the SWRCB adopted emergency measures requiring water suppliers to implement mandatory Statewide water conservation actions, which are to remain in effect for 270 days.

On September 22, 2014, in response to the Declaration and the SWRCB’s action, the City Council adopted a resolution declaring a water emergency and an ordinance (the “Drought Ordinance”) implementing the following restrictions on water use, among others: (a) outdoor irrigation is prohibited between 9:00 a.m. and 6:00 p.m. and is limited to two days per week; (b) washing of hard or paved surfaces, or washing cars without a shutoff nozzle, is prohibited; (c) water leaks must be repaired within 48 hours; (d) decorative water features that do not use recirculated water are prohibited; and (e) drinking water will be served at restaurants only upon request. Under the Drought Ordinance, the City will provide written notice of initial violations of these restrictions, impose a surcharge of the lesser of \$25 or 50% of the most recent water bill for second violations and impose a surcharge of the greater of \$50 or 25% of the most recent water bill (capped at \$500) for third violations. Upon further violations, the City may install a flow restrictor on the user’s connection. The goal of the Drought Ordinance is to achieve a 20% reduction from 2013 water use. Ventura Water is undertaking a public outreach program to notify the public of the adoption of the Drought Ordinance.

In addition to the Drought Ordinance, the City has adopted a water shortage contingency plan (the “WSCP”), which calls for Ventura Water to implement water rationing as described below when: (i) the Lake Casitas reservoir is at 50% of capacity; (ii) less than 2,500 acre feet is produced in a given year from the Ventura River; (iii) the City’s balance of FCGMA groundwater credits falls below 10,000 acre feet; (iv) groundwater conditions in the Mound Basin or Santa Paula Basin deteriorate significantly; or (v) water demand within the City reaches 27,500 acre feet per year. See the captions “—State Water Contract and 1995 Agreement State Water Contract and 1995 Agreement,” “—Groundwater” and “—Ventura River.”

The WSCP contains five stages that are designed to reduce water demand incrementally by a total of up to 50%. The first WSCP stage calls for voluntary 10% reductions in water use and includes public outreach efforts by Ventura Water as well as a prohibition on irrigation between 9:00 a.m. and 6:00 p.m. The second WSCP stage calls for mandatory 10% – 15% reductions in water use by: (1) limiting single family residences and multifamily residences to 392 and 245 gallons of water per day, respectively, plus an additional amount based on the average annual usage for each residence; and (2) limiting non-residential users to 85% of average annual usage (55% for irrigation-only users). The second stage is enforced by the levy of a surcharge equal to four times the highest tier water rate for all use in excess of a user’s allowable allocation; the surcharge increases to ten times the highest tier water rate if use in excess of the allowable allocation continues for three consecutive billing periods; thereafter, the City may install a flow restrictor on the user’s connection. The third, fourth and fifth WSCP stages call for mandatory reductions of 15% – 20%, 20% – 30% and 30% – 50% in water use, respectively, through application of the same methodology used in the second stage. In addition, the fifth WSCP stage prohibits the use of water for ornamental uses, swimming pools and other outdoor uses not required for health and safety reasons.

The WSCP was developed pursuant to the City's 2010 Urban Water Management Plan. The City has commissioned a Water Task Force to review and recommend revisions and updates to the current WSCP in late 2014 and early 2015. All proposed changes to the WSCP must be approved by the City Council. There can be no assurance as to whether any changes to the WSCP will ultimately be adopted or as to the nature or timing of such changes. The City is consequently unable to predict at this time whether any changes to the WSCP, if adopted, would affect Gross Revenues.

Lake Casitas is currently at approximately 54% capacity. It is possible that Lake Casitas' water level could drop to 50% capacity in late 2014, which would trigger the implementation of the current WSCP.

The Drought Ordinance and the WSCP, if implemented, could result in reduced water sales by the City. Although such reduced water sales would result in decreases in Gross Revenues, they would also result in decreases in certain Operation and Maintenance Costs, particularly water purchase, treatment and delivery costs, as well as increases in certain Operation and Maintenance Costs, including the need to identify and repair water losses. The City currently estimates that enforcement of the Drought Ordinance will cost approximately \$209,500 per year. It is likely that Gross Revenues would decrease by more than Operation and Maintenance Costs would decrease, resulting in a reduction in the amount of Net Revenues available to the City. However, it is also possible that decreases in water sales may not immediately or directly affect the amount of Net Revenues available to the City.

The City has commissioned Raftelis Financial Consultants, Inc. ("Raftelis") to undertake a study of the City's water rates, and to suggest rate adjustments, in light of the Statewide drought. The study, which is expected to be commenced in October 2014, will also analyze the effect of any suggested rate adjustments on Net Revenues. All rate adjustments are subject to the notice, hearing and majority protest provisions of Proposition 218 and there can be no assurance that the City Council will adopt any such rate adjustments. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218." The projected operating results set forth under the caption "WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage" do not reflect the adoption of any drought rates based on the Raftelis study or otherwise.

In the event that the Drought Ordinance is required to be enforced over a sustained period, or in the event that the City implements the WSCP, the City could adjust its expenditures, curtail capital expenditures on new Water System projects, shift to less costly sources of water supply, use Water System reserves to meet Water System obligations or increase water rates. The City has covenanted to set rates and charges for water service in amounts that are at least sufficient to pay the Installment Payments and Parity Debt. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Covenant."

The City's projections of Water System deliveries and revenues (as set forth under the captions "—Projected Water System Deliveries" and "—Projected Water System Service Charges and Sales Revenues") reflect reduced water sales in the current and next four Fiscal Years. Such reductions are projected primarily as a result of water conservation measures in response to the Governor's call for a 20% reduction in Statewide per capita water use by 2020, as announced on February 28, 2008. The City does not expect any additional reductions in water sales as a result the implementation of the WSCP or the adoption of the Drought Ordinance to have a material effect on the City's ability to make the Installment Payments from Net Revenues. See the caption "CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions" and "CERTAIN RISKS TO BONDHOLDERS—Water System Demand and Revenues."

See the caption "—Projected Water System Service Connections" for a discussion of the City's consideration of the imposition of a temporary building moratorium in the City as another possible response to the drought.

Historic and Projected Water Supply

Set forth below is a summary of the City's sources of water supply for the last five Fiscal Years. The decrease in water supply in Fiscal Year 2011 reflects the effects of the economic recession as well as conservation measures.

CITY OF SAN BUENAVENTURA WATER SYSTEM HISTORIC WATER SUPPLY IN ACRE FEET PER YEAR

<i>Fiscal Year</i>	<i>Pumped Water</i>	<i>Purchased Water⁽¹⁾</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2010	10,877	6,002	16,879	(3.96)%
2011	10,537	6,041	16,578	(1.78)
2012	11,708	5,105	16,813	1.42
2013	12,068	5,215	17,283	2.80
2014 ⁽²⁾	12,143	5,646	17,789	2.93

⁽¹⁾ Reflects certification letters from Casitas under the 1995 Agreement.

⁽²⁾ Reflects unaudited actual Fiscal Year 2014 supplies.

Source: City.

Set forth below is a summary of the City's projected sources of water supply for the current and next four Fiscal Years. The below numbers are derived from a long-term planning document, the 2014 Comprehensive Water Resources Report, which was prepared by RBF Consulting on the City's behalf. Such amounts reflect water supplies that are expected to be available to the City and exceed the water supplies that will be required to meet projected Water System deliveries. See the caption "—Projected Water System Deliveries."

CITY OF SAN BUENAVENTURA WATER SYSTEM PROJECTED WATER SUPPLY IN ACRE FEET PER YEAR

<i>Fiscal Year</i>	<i>Pumped Water</i>	<i>Purchased Water⁽¹⁾</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2015	13,724	5,111	18,835	5.88%
2016	13,724	5,111	18,835	0.00
2017	13,724	5,111	18,835	0.00
2018	13,724	5,111	18,835	0.00
2019	13,724	5,111	18,835	0.00

⁽¹⁾ Reflects projected purchases from Casitas under the 1995 Agreement. Assumes that the City will successfully negotiate a reduction in the amount that it is obligated to purchase each year from Casitas under the 1995 Agreement (currently 6,000 acre feet). See the caption "—Water Supply—State Water Contract and 1995 Agreement." There can be no assurance as to the outcome of the City's negotiations with Casitas. See the captions "CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions" and "CERTAIN RISKS TO BONDHOLDERS—Water System Expenses."

Source: RBF Consulting 2014 Comprehensive Water Resources Report.

Water System Insurance

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City is self-insured up to \$1,000,000 for each workers' compensation claim, up to \$1,000,000 for each general liability claim, up to \$25,000 for each non-automobile-related property damage claim and up to \$15,000 for each automobile-related property damage claim. Excess insurance purchased from commercial carriers supplies additional coverage for each worker's compensation claim up to \$5,000,000, for each general liability claim up

to \$27,000,000 and for each property damage claim up to \$1,000,000,000. The City's three water treatment facilities described under the caption "THE WATER SYSTEM—General—Water Treatment Facilities" are covered under the City's property insurance coverage. However, Water System pipelines that run underground in utility rights of way are not covered under the City's property insurance coverage. The City does not maintain earthquake insurance for the Water System. Settled claims have not exceeded commercial coverage amounts in any of the past three Fiscal Years. Pursuant to the Installment Sale Agreement, the City is obligated to maintain certain types of insurance with respect to the Water System. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Insurance" and "CERTAIN RISKS TO BONDHOLDERS—Natural Disasters."

Administrative Personnel

The Water System is operated under the control of the City Council of the City with day to day management provided under the supervision of Mark Watkins, City Manager, Shana Epstein, the General Manager of Ventura Water (the City division that administers the Water System) and Omar Castro, Water Utility Manager.

Mark Watkins was appointed City Manager by the City Council on February 11, 2013 and has over 29 years of experience in the public sector. Prior to coming to the City, he worked at the City of Thousand Oaks, California for seven years as the Public Works Director and for four years as the Deputy Public Works Director/City Engineer. Mr. Watkins previously served the City for five years as Maintenance Services Manager and for eight years in various civil engineering positions and as a civil engineer for the County of Kern, California. Mr. Watkins earned a Bachelor's degree in Civil Engineering from California State University, Chico and a Masters Degree in Public Administration from California State University, Northridge. He also attended Harvard University's Senior Executives in State and Local Government program.

Shana Epstein joined Ventura Water as its first General Manager in May 2011 and is responsible for the management and strategic direction of the City's water and wastewater utilities. Ms. Epstein has over 15 years' experience in the public sector. Prior to coming to the City, Ms. Epstein worked for the City of Anaheim Public Utilities Department and the City of Beverly Hills. Ms. Epstein earned a Bachelor's degree from the University of California, San Diego and a Masters in Public Administration from George Washington University. Ms. Epstein currently serves as a member of the Association of California Water Agencies Management Committee.

Omar Castro, California Department of Public Health Services Water Treatment and Water Distribution Operator V, is the City's Water Utility Manager. Mr. Castro joined the City in June 2012 and manages the Water Utility Division of Ventura Water. Mr. Castro began his career in the water industry in 1993 working for Southern California Water Company. From 2004 to 2012, Mr. Castro served as Operations and Maintenance Manager for the Carpinteria Valley Water District. Mr. Castro serves as a Subject Matter Expert for Operator Certification for the California Department of Public Health Services.

Employee Relations

General. A total of 98 Ventura Water full-time equivalent employees ("FTEs") operate and maintain the Water System and the City's wastewater system. Generally, these employees are represented in collective bargaining as part of the maintenance unit or general employees unit, each of which are operating pursuant to collective bargaining agreements with the Service Employees International Union ("SEIU") which extend through June 30, 2015. Certain management, supervisory and professional employees are represented in management groups for which no memorandum of understanding or collective bargaining agreement exists. For such employees, compensation adjustments generally occur each July. Ventura Water has never experienced a strike, slowdown or work stoppage.

Pension Plan. *This subcaption contains certain information relating to the California Public Employees Retirement System (“PERS”). The information is primarily derived from information produced by PERS, its independent accountants and actuaries. The City has not independently verified the information provided by PERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by PERS.*

The comprehensive annual financial reports of PERS are available on its Internet website at www.calpers.ca.gov. The PERS website also contains PERS’ most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

The City and the employees of Ventura Water contribute to PERS, an agent multiple-employer public employee defined benefit plan that acts as a common investment and administrative agent for participating public entities in the State. The City’s contributions to PERS for Ventura Water employees constitute Operation and Maintenance Costs of the Water System. PERS provides retirement, disability and death benefits to plan members and their beneficiaries. Ventura Water employees are enrolled in the Miscellaneous Plan in one of three pension formulas: 2% at 55 (Tier 1) if hired prior to July 23, 2011 (currently 70 employees); 2% at 60 (Tier 2) if hired between July 23, 2011 and December 31, 2012 (currently 10 employees); and 2% at 62 (Tier 3) if not previously a PERS member and hired on or after January 1, 2013 (currently 11 employees). The number of Tier 3 employees is expected to increase in the future as new hires join Tier 3 and the number of Tier 1 and 2 employees is expected to be gradually reduced each year as such employees retire or leave the City. Each Tier is described in detail below.

PERS issues a publicly available financial report that includes the applicable financial statements and required supplementary information for PERS. The report may be obtained by writing to PERS at 400 Q Street, Sacramento, California 95814.

Required employer and employee contributions are determined from rates established by PERS based upon various actuarial assumptions which are revised annually. Miscellaneous Plan participants are required by State statute to contribute 7% of their annual salary. Employees in Tiers 1 and 2 contributed 4.5% of their annual salary in Fiscal Year 2014, with the City paying the remaining 2.5% of the employee contribution, and employees in Tier 3 contributed the full 6.25% employee contribution. In Fiscal Year 2015, employees in Tiers 1 and 2 will contribute the full 7.0% employee contribution and employees in Tier 3 will continue to contribute the full 6.25% employee contribution.

Under the Tier 1 retirement formula, participants who are age 50 with at least 5 years of credited PERS service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a benefit factor multiplied by their final compensation. The Miscellaneous Plan members’ retirement formula is 2% at 55, and the benefit factor is an amount equal to between 1.426% and 2.418% multiplied by the number of years of credited employment. The benefit factor is based upon the age of the employee at retirement, increasing from age 50 to age 63. Final compensation is the average monthly pay rate for the last consecutive 12 months (or any consecutive 12-month period in which pay was higher) of employment.

Under the Tier 2 retirement formula, participants who are age 50 with at least 5 years of credited PERS service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a benefit factor multiplied by their final compensation. The Miscellaneous Plan members’ retirement formula is 2% at 60, and the benefit factor is an amount equal to between 1.092% and 2.418% multiplied by the number of years of credited employment. The benefit factor is based upon the age of the employee at retirement, increasing from age 50 to age 63. Final compensation is the average three highest years of employment.

Employees hired on or after January 1, 2013 who were not already a member of a pension system are subject to the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the Governor of the State on September 12, 2012. Pursuant to AB 340, the City established a third pension tier of 2.0% at 62. Benefits for the third tier are calculated on the highest average annual compensation over a consecutive 36-month period.

Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36 month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases.

Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit. If AB 340 is implemented fully, PERS estimates savings for local agency plans of approximately \$1.653 billion to \$2.355 billion over the next 30 years due primarily to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City or Ventura Water have not been quantified.

The provisions of AB 340 will not likely have a material effect on City's PERS contributions in the short term. However, additional employee contributions, limits on pensionable compensation and higher retirement ages for new members will reduce the City's unfunded actuarial accrued liability and potentially reduce City contribution levels in the long term.

On August 21, 2014, the PERS board approved changes to clarify the types of compensation upon which pension benefits are based, primarily for employees hired after January 1, 2013. Under the changes, the PERS board identified several dozen specific types of compensation that will count toward pension benefit calculations, including temporary and special assignment payments and certain categories of tasks, and identified types of compensation that will not be included in pension benefit calculations. Although the changes could result in an increase in the City's future PERS contributions, it is not currently possible to quantify the magnitude of such increases.

In addition to the City's contribution on behalf of employees, the City currently funds the normal pension costs, which are determined by PERS using the Entry Age Normal Actuarial Cost Method, as well as an amortization of the City's unfunded actuarial liability. For Fiscal Year 2014, the City's PERS employer contribution for the Miscellaneous Plan was approximately \$3,637,833, which was equal to the annual required contribution (the "ARC") described below. The contribution rate for Fiscal Year 2015 has been established at 14.329% of annual covered payroll. The City had an unfunded accrued liability of \$24,349,387 for its Miscellaneous Plan as of June 30, 2012, based on an actuarial value of assets of \$188,864,728, as set forth in the most recent actuarial report prepared by PERS in October 2013.

PERS does not prepare separate actuarial reports for Ventura Water's share of the unfunded liability. However, if the unfunded liability were spread based on the ratio of FTEs of Ventura Water (including the City's wastewater system) to the FTEs of the City as a whole, approximately 6.5% of the estimated Fiscal Year 2012 unfunded liability would be attributable to Ventura Water (including the City's wastewater system).

In Fiscal Years 2010 through 2014, the Water Fund's contributions to PERS constituted an average of approximately 4.4% of total Water System Operation and Maintenance Costs. For Fiscal Years 2015 through 2019, the City estimates that its contributions to PERS will constitute an average of approximately 2.9% of total Water System Operation and Maintenance Costs, assuming annual increases in such contributions of approximately 10% (reflecting reduced City contributions as a result of the pension reform measures and

contribution tiers discussed above). There can be no assurance that City contributions to PERS will not increase significantly in excess of such projected amounts in the future.

Under Government Accounting Standards Board Statement No. 27, an employer reports an annual pension cost equal to the ARC plus an adjustment for the cumulative difference between the annual pension cost and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation and may be positive or negative. The ARC for Fiscal Year 2014 was determined by an actuarial valuation of the City's Miscellaneous Plan as of June 30, 2011 and the ARC for Fiscal Year 2015 has been determined by an actuarial valuation of the City's Miscellaneous Plan as of June 30, 2012.

The staff actuaries at PERS annually prepare an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is delivered (thus, the actuarial valuation delivered to the City in October 2013 covered the City's Fiscal Year ended June 30, 2012). The actuarial valuations express the City's required contribution rates in percentages of covered payroll, which percentages the City must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City's contribution rate derived from the actuarial valuation as of June 30, 2012, which was delivered in October 2013, affects the City's Fiscal Year 2015 required contribution rate). PERS rules require the City to implement the actuary's recommended rates.

In calculating the annual actuarially recommended contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS plans, which includes two components, the normal cost and the unfunded actuarial accrued liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS plans that are attributed to the current year, and the actuarial accrued liability represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between actuarial value of assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS plans to retirees and active employees upon their retirement and not as a fixed expression of the liability that the City owes to PERS under its PERS plans.

In each actuarial valuation, the PERS actuary estimates the actuarial value of the assets (the "Actuarial Value") of the PERS plans at the end of the Fiscal Year (which assumes, among other things, that the rate of return during that Fiscal Year equaled the assumed rate of return, currently 7.5%). The PERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies. As described below, these policies changed significantly in 2013 and 2012.

On April 17, 2013, the PERS Board approved a plan: (i) to replace the current 15-year asset-smoothing policy with a 5-year direct-rate smoothing process; and (ii) to replace the current 30-year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. PERS' Chief Actuary has stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers such as the City about future contribution rates. These changes are expected to accelerate the repayment of unfunded liabilities (including Fiscal Year 2009 market losses) of the City's plans in the near term; the exact magnitude of the potential contribution rate increases is not known at this time, but may be significant. These changes will be reflected beginning with the June 30, 2014 actuarial valuation affecting contribution rates for Fiscal Year 2016 and thereafter.

On March 14, 2012, the PERS Board approved a change in the inflation assumption used in the actuarial valuations used to determine employer contribution rates. The inflation assumption was changed from 3% to 2.75% effective July 1, 2012. The change impacted the inflation component of the annual investment return assumption and the long term payroll growth assumption as follows:

- The annual assumed investment return decreased from 7.75% to 7.5%.
- The long term payroll growth assumption decreased from 3.25% to 3%.
- The inflation component of individual salary scales decreased from 3.25% to 3%.

Although the full impact of the above changes is not yet clear, PERS has estimated that they could result in net increases in future contribution levels of approximately 1% to 2%.

In addition, in February 2010, the PERS Board adopted a resolution requiring additional contributions for any plan or pool if the cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets basis of the plan to either:

- Increase by at least 15% by June 30, 2043; or
- Reach a level of 75% funded by June 30, 2043.

Such contributions have been factored into the City's contribution rates set by PERS.

The following table summarizes the City's annual required contributions for its Miscellaneous Plan as a whole (including Ventura Water employees) for Fiscal Years 2009 through 2013:

<i>Fiscal Year</i>	<i>City-Funded Employee Contribution</i>	<i>Employee Contribution</i>	<i>Employer Contribution</i>	<i>Annual Pension Cost</i>	<i>Percentage of Annual Pension Cost Contributed</i>
2009	\$2,025,493	\$ -	\$2,843,559	\$2,843,559	100%
2010	1,945,022	-	2,688,691	2,771,846	97
2011	1,546,686	126,470	2,857,655	2,736,548	105
2012	953,959	881,343	4,129,709	5,527,780	75
2013	693,669	1,178,896	7,057,963	5,659,892	125

The following table sets forth the schedule of funding for the City's Miscellaneous Plan as a whole, including Ventura Water, as of June 30, 2012. The employer contribution rate for Fiscal Year 2015 is 14.329%.

<i>Valuation Date (June 30)</i>	<i>Entry Age Actuarial Accrued Liability</i>	<i>Actuarial Value of Assets</i>	<i>UAAL</i>	<i>Market Value of Assets</i>	<i>Funded Ratio⁽¹⁾</i>	<i>Annual Covered Payroll</i>
2008	\$167,837,616	\$157,529,148	\$10,308,468	\$160,114,307	95.4%	\$30,850,606
2009	184,806,501	165,040,339	19,766,162	120,293,729	65.1	28,935,608
2010	192,586,854	171,259,629	21,327,225	133,507,592	69.3	27,786,031
2011	205,505,646	182,309,724	23,195,922	161,371,537	78.5	28,738,080
2012	213,214,115	188,864,728	24,349,387	157,468,698	73.9	27,721,786

⁽¹⁾ Based on the market value of assets.

Source: PERS Actuarial Report Dated October 2013.

For additional information relating to the City's Miscellaneous Plan, see Note 12 to the City's Financial Statements set forth in Appendix A.

PERS reported significant investment losses in 2009, which accounts for a portion of the increase in the City's unfunded actuarial liability from July 1, 2008 to June 30, 2009. In addition, the increase in the City's unfunded actuarial liability is attributable to PERS studies performed in Fiscal Year 2009 and the adjustment of assumptions made by PERS valuations for age at retirement, years of service, mortality rates, and certain other assumptions. PERS earnings reports for Fiscal Years 2010, 2011, 2012 and 2013 report an investment gain in excess of 13.0% and 21.7%, 1.0% and 12.5%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City.

The City's projections of Operation and Maintenance Costs set forth under the caption "WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage" assume increases in PERS contributions of approximately 10% per annum. However, no assurance can be provided that such expenses will not increase at a significantly higher rate in the future. See the caption "CERTAIN RISKS TO BONDHOLDERS—Water System Expenses."

No Other Post-Employment Benefits. The City does not have a contractual obligation to fund post-retirement health benefits for any of its employees. The City agreed to pay a portion of the retirees' health care premiums through December 31, 2008, after which the City had no further post-employment benefit obligations.

Outstanding Obligations

SRF Loan. In May 2005, the City and DWR entered into the SRF Loan to finance the construction of certain Water System capital improvements. The SRF Loan was in the original principal amount of \$20,000,000, of which \$14,050,881 was outstanding as of July 1, 2014. The SRF Loan bears interest at the rate of 2.39% per annum and is payable in semiannual installments of approximately \$631,910, with a final payment in 2028. The City maintains a reserve fund for the SRF Loan in the current amount of \$568,726.

Although the SRF Loan states that the City has pledged "Water Enterprise Fund Revenues" to the repayment of the SRF Loan, the City believes that its obligation to make payments under the SRF Loan is payable from Net Revenues on a parity with the Installment Payments. DWR has provided a written affirmation of its agreement that the SRF Loan is payable from Net Revenues on a parity with the Installment Payments.

2012 ISA. In November 2012, the City and the Authority entered into the 2012 ISA to refinance the cost of certain Water System capital improvements and to finance the construction of certain Water System capital improvements. The 2012 ISA was in the original principal amount of \$45,450,000, of which \$43,735,000 was outstanding as of July 1, 2014. The 2012 ISA bears interest at rates ranging from 1.18% to 5.00% per annum and is payable in semiannual installments, with a final payment in 2042. Payments under the 2012 ISA are payable from Net Revenues on a parity with the Installment Payments. No reserve fund has been established for the 2012 ISA.

The City may incur additional Parity Debt or subordinate obligations secured by Net Revenues, provided that certain conditions are met. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Obligations."

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Historic Water System Service Connections

The following table shows the number of service connections to the Water System for the last five Fiscal Years.

**CITY OF SAN BUENAVENTURA WATER SYSTEM
HISTORIC WATER SYSTEM SERVICE CONNECTIONS**

<i>Fiscal Year</i>	<i>Residential</i>	<i>Commercial</i>	<i>Industrial, Public Agency and Other</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2010	25,530	2,536	3,565	31,631	0.07%
2011	25,543	2,546	3,562	31,651	0.06
2012	25,591	2,518	3,617	31,726	0.24
2013	25,617	2,517	3,622	31,756	0.09
2014	25,643	2,513	3,623	31,779	0.07

Source: City.

Historic Water System Deliveries

The following table shows historic deliveries for the Water System for the last five Fiscal Years. The decrease in water deliveries in Fiscal Year 2011 reflects the effects of the economic recession as well as conservation measures. Differences between historic water deliveries set forth below and historic water supply set forth under the caption “—Historic and Projected Water Supply” reflect system loss, emergency hydrant usage and the City’s use of water for internal purposes.

**CITY OF SAN BUENAVENTURA WATER SYSTEM
HISTORIC WATER SYSTEM DELIVERIES IN ACRE FEET PER YEAR**

<i>Fiscal Year</i>	<i>Residential</i>	<i>Commercial</i>	<i>Industrial, Public Agency and Other</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2010	10,743	3,384	1,564	15,691	(6.56)%
2011	10,325	3,370	1,465	15,160	(3.38)
2012	10,813	3,492	1,516	15,821	4.36
2013	10,855	3,522	1,661	16,038	1.37
2014	11,124	3,539	1,768	16,431	2.45

Source: City.

Historic water deliveries reflect connections to the Water System as well as water demand, which is affected by weather conditions, economic conditions and other factors. See the caption “—Historic Water System Service Connections.”

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Historic Water System Service Charges and Sales Revenues

The following table shows Water System service charges and revenues from water sales for the last five Fiscal Years.

CITY OF SAN BUENAVENTURA WATER SYSTEM HISTORIC WATER SYSTEM SERVICE CHARGES AND SALES REVENUES

<i>Fiscal Year</i>	<i>Residential</i>	<i>Commercial</i>	<i>Industrial, Public Agency and Other</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2010	\$11,173,845	\$4,263,570	\$ 6,264,171	\$21,701,586	2.38%
2011 ⁽¹⁾	10,599,046	4,163,840	6,084,524	20,847,410	(3.94)
2012	11,098,923	4,171,904	6,798,923	22,069,750	5.86
2013 ⁽²⁾	11,879,167	3,855,943	9,557,430	25,292,540	14.60
2014 ⁽²⁾⁽³⁾	13,348,628	4,214,758	10,046,017	27,609,403	9.16

⁽¹⁾ Fiscal Year 2011 decrease reflects hydrological conditions, the effect of the economic recession, conservation measures and the City's prior rate structure, which was substantially revised in 2012. See the caption "—Water System Rates and Charges."

⁽²⁾ Increases in Water System service charges and revenues in Fiscal Years 2013 and 2014 reflect revised rate structure and increases adopted in 2012.

⁽³⁾ Reflects unaudited actual Fiscal Year 2014 results.

Source: City.

Water System sales revenues reflect water deliveries described under the caption "—Historic Water System Deliveries" as well as rates and charges described under the caption "—Water System Rates and Charges."

Largest Water System Customers

The following table shows the ten largest customers of the Water System for Fiscal Year 2014, as determined by bimonthly payments.

CITY OF SAN BUENAVENTURA WATER SYSTEM LARGEST WATER SYSTEM CUSTOMERS

<i>Type of Business</i>	<i>Total Payments</i>	<i>Percent of Total Water Sales Revenues and Service Charges</i>
Commercial	\$ 259,526	0.94%
Commercial	200,671	0.73
Commercial	159,103	0.58
Commercial	141,893	0.51
Multifamily Dwelling	128,909	0.47
Hospital	108,988	0.39
Hospital	107,447	0.39
Municipal/Interruptible	105,632	0.38
Multifamily Dwelling	84,478	0.31
Multifamily Dwelling	83,771	0.30
Total	<u>\$ 1,380,418</u>	5.00%

Source: City.

These customers accounted for approximately 5.00% of water sales revenues and service charges and 4.63% of total Gross Revenues in Fiscal Year 2014.

Water System Rates and Charges

General. City rates and charges for water service are set by the City Council and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The City is, however, required to comply with the notice, hearing and majority protest provisions of Article XIII D of the State Constitution, which is popularly known as Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for further information with respect to Proposition 218.

Ventura Water staff annually determines the adequacy of the charge structure for water service in the service area after full consideration of expected operations, maintenance, capital costs and capital repayment obligations of the Water System. The City Council currently sets water charges at a level that it determines is sufficient to pay all Operation and Maintenance Costs of water pumping and water purchases, to pay debt service payments and to maintain appropriate reserves for the Water System. Current charges include a bimonthly fixed service charge based on meter size and a monthly commodity charge based on usage. See the caption “—Collection Procedures” for further information with respect to the collection of Water System rates and charges.

The City is subject to certain covenants with respect to the Bonds which require the City to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the Installment Payments and all Parity Debt for the Fiscal Year. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Potable Water Charges. On May 20, 2014, the City Council adopted potable water rate increases for Fiscal Years 2015 through 2018, respectively, in accordance with Proposition 218. The projected water revenues for Fiscal Years 2015 and 2018 set forth under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage” reflect such potable water rate increases. There can be no assurance that the City Council will not repeal or modify such rate increases in the future or that the City’s ratepayers will not approve an initiative to repeal or modify any increase in potable water service rates and charges approved by the City Council.

The projected water revenues for Fiscal Year 2019 set forth under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage” assume future potable water rate increases that have not yet been authorized. Such rate increases are subject to the notice, public hearing and protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the City Council will adopt such rate increases as currently projected.

As discussed under the caption “THE WATER SYSTEM—Water Supply—Drought Declaration,” the City has commissioned Raftelis to undertake a study of the City’s water rates, and to suggest rate adjustments, in light of the Statewide drought. The study, which is expected to be commenced in October 2014, will also analyze the effect of any suggested rate adjustments on Net Revenues. All rate adjustments are subject to the notice, hearing and majority protest provisions of Proposition 218 and there can be no assurance that the City Council will adopt any such rate adjustments. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” The projected operating results set forth under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage” do not reflect the adoption of any drought rates based on the Raftelis study or otherwise.

Selected potable water rates and charges are set forth below.

**CITY OF SAN BUENAVENTURA WATER SYSTEM
POTABLE WATER BIMONTHLY SERVICE CHARGES**

	<i>Meter Size</i>	<i>Effective Date</i>			<i>July 1, 2017</i>
		<i>July 1, 2014</i>	<i>July 1, 2015</i>	<i>July 1, 2016</i>	
		<i>Bi-Monthly Service Charge</i>			
3/4"		\$ 27.30	\$ 29.28	\$ 31.41	\$ 33.69
1"		41.36	44.36	47.58	51.03
1 1/2"		76.50	82.05	88.00	94.38
2"		118.68	127.29	136.52	146.42
3"		252.23	270.52	290.14	311.18
4"		449.05	481.61	516.53	553.98
6"		920.00	986.70	1,058.24	1,134.97
8"		1,693.21	1,815.97	1,947.63	2,088.84
10"		2,677.29	2,871.40	3,079.58	3,302.85
12"		3,520.79	3,776.05	4,049.82	4,343.44
	<i>Meter Size</i>	<i>Bi-Monthly Fireline Charge</i>			
1" Ubranch		7.11	7.63	8.19	8.79
1"		7.11	7.63	8.19	8.79
1 1/2"		7.11	7.63	8.19	8.79
2"		7.11	7.63	8.19	8.79
3"		20.65	22.15	23.76	25.49
4"		44.00	47.19	50.62	54.29
6"		127.81	137.08	147.02	157.68
8"		272.36	292.11	313.29	336.01
10"		489.79	525.31	563.40	604.25
12"		791.15	848.52	910.04	976.02
		<i>Volume Rates (\$ per Unit⁽¹⁾)</i>			
Single Family Residential					
Tier 1	0 to 14	\$2.23	2.40	2.58	2.77
Tier 2	15 to 30	3.12	3.35	3.60	3.87
Tier 3	30+	5.27	5.66	6.08	6.53
Multi-Family Residential					
Tier 1	0 to 10	2.23	2.40	2.58	2.77
Tier 2	11 to 16	3.12	3.35	3.60	3.87
Tier 3	16+	5.27	5.66	6.08	6.53
Non-Residential		2.88	3.09	3.32	3.57
Institutional/Interruptible Rate		2.22	2.39	2.57	2.76
Untreated Water		2.32	2.49	2.68	2.88
Outside City Rates		+\$0.60/Unit	+\$0.60/Unit	+\$0.60/Unit	+\$0.60/Unit

⁽¹⁾ A unit is equivalent to 100 cubic feet of water, or approximately 748 gallons.
Source: Raftelis Financial Consultants 2014 Rate Study.

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The table below sets forth a comparison of the Water System’s typical bimonthly water bill for a single family residential user to those of certain nearby water purveyors as of July 2014:

<i>Community</i>	<i>Bimonthly Charge⁽¹⁾</i>
City of Ojai	\$158.41
City of Santa Barbara	143.38
City of Santa Paula	122.38
City of Thousand Oaks	110.97
City of Oxnard	86.72
City of Simi Valley	84.98
Camrosa Water District	77.78
City of San Buenaventura	77.24
City of Fillmore	73.76
City of Moorpark	71.10
City of Camarillo	69.00
Casitas Municipal Water District	58.26

⁽¹⁾ Reflects bimonthly usage of approximately 20 units for a single family residential user with a 3/4” connection. A unit is equivalent to 100 cubic feet of water, or approximately 748 gallons.

Source: City.

Collection Procedures

The City is on a bimonthly billing cycle for wastewater and potable water service. Payment is due on the 19th day after the billing date and is considered delinquent if not paid by that date. If payment is not received after a 10 day grace period, a second bill is sent with a 10% penalty assessment. The second bill also informs customers that service will be discontinued if the bill is not paid in full within 15 days. Forty-five days after the original bill is mailed, a notice of shutoff of service will be posted at the premises address of the customer. A processing charge of \$52.00 will be assessed on the notice and the date of discontinuance of service will again be noted. If service is discontinued, an additional processing fee of \$64.00 will be assessed. Accounts that have been shut off may be reconnected upon payment in full of all outstanding balances and processing fees. As of July 1, 2014, less than 1% of accounts were more than 65 days delinquent. Such delinquencies are in the total amount (including amounts due for wastewater services) of approximately \$18,674.

Future Water System Improvements

The City projects the expenditure of approximately \$73,708,000 on capital improvements to the Water System in the current and next four Fiscal Years, including the projects described under the caption “THE PROJECTS; INSTALLMENT SALE AGREEMENT,” well rehabilitations and pipeline and pump station improvements and replacements. Such capital improvements are expected to be financed by a combination of surplus Gross Revenues, grants and Water System reserves. See the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage.”

Projected Water System Service Connections

The following table shows the projected number of connections to the Water System for the current and next four Fiscal Years. On September 22, 2014, the City Council directed City staff to undertake an analysis of the costs, benefits and legal ramifications of imposing a temporary building moratorium in the City as a possible response to the drought discussed under the caption “—Water Supply—Drought Declaration.” The City Council requested that such analysis be completed by October 27, 2014. The City is unable at this time to determine the conclusions that may be set forth in such analysis.

There can be no assurance that the City Council will not impose a building moratorium at some time in the future, nor can there be any assurance as to the duration or conditions of a building moratorium, if imposed. The imposition of a building moratorium could result in fewer than projected additional connections to the Water System during the period when the moratorium is in effect. However, the City is unable to predict the effect, if any, on Water System Gross Revenues if a building moratorium is imposed. The City notes that the Water System service area is substantially built out and that the City does not expect large numbers of additional connections in the future. See the caption “—Land Use.”

The below projections of Water System service connections for the current and next four Fiscal Years do not reflect the impact of a building moratorium.

Although the City imposes charges for the costs of connecting new customers to the Water System, such connection charges do not constitute Gross Revenues and are not pledged toward payment of the Installment Payments.

**CITY OF SAN BUENAVENTURA WATER SYSTEM
PROJECTED WATER SYSTEM SERVICE CONNECTIONS**

<i>Fiscal Year</i>	<i>Residential</i>	<i>Commercial</i>	<i>Industrial, Public Agency and Other</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2015	25,944	2,785	3,335	32,064	0.90%
2016	26,068	2,798	3,335	32,201	0.43
2017	26,193	2,811	3,335	32,339	0.43
2018	26,318	2,824	3,335	32,477	0.43
2019	26,444	2,837	3,335	32,616	0.43

Source: Raftelis Financial Consultants 2014 Rate Study.

Projected Water System Deliveries

The following table shows projected deliveries for the Water System for the current and next four Fiscal Years. The projected water deliveries set forth below differ from the projected water supplies set forth under the caption “—Historic and Projected Water Supply” because the projected water supply amounts constitute water supplies that are expected to be available to the City. Such amounts exceed the amounts that are expected to be required to meet the below projected Water System deliveries. See the caption “—Historic and Projected Water Supply.”

**CITY OF SAN BUENAVENTURA WATER SYSTEM
PROJECTED WATER SYSTEM DELIVERIES IN ACRE FEET PER YEAR⁽¹⁾**

<i>Fiscal Year</i>	<i>Residential</i>	<i>Commercial</i>	<i>Industrial, Public Agency and Other</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2015	10,528	3,334	1,102	14,964	(8.93)%
2016	10,368	3,283	1,083	14,734	(1.54)
2017	10,314	3,265	1,075	14,654	(0.54)
2018	10,260	3,247	1,067	14,574	(0.55)
2019	10,207	3,229	1,059	14,495	(0.54)

⁽¹⁾ Decreases from Fiscal Year 2014 deliveries reflect projected reduced deliveries resulting from the implementation of conservation measures in response to the Governor’s call for a 20% reduction in Statewide per capita water use by 2020. See the caption “—Water Supply—Drought Declaration.”

Source: Raftelis Financial Consultants 2014 Rate Study.

Projected water deliveries reflect projected connections to the Water System, projected water demand, which is affected by weather conditions, economic conditions and other factors, and the implementation of conservation measures in response to the Governor’s call for a 20% reduction in Statewide per capita water use by 2020, but do not reflect the effect of the Statewide drought or City measures in response thereto. See the captions “—Projected Water System Service Connections” and “—Water Supply—Drought Declaration.”

Although the City projects that Water System deliveries will decrease slightly in the current and next four Fiscal Years, the City projects increases in Water System revenues as a result of adopted rate increases through Fiscal Year 2018. See the captions “—Water System Rates and Charges—Potable Water Charges” and “—Projected Water System Service Charges and Sales Revenues.”

Projected Water System Service Charges and Sales Revenues

The following table shows projected Water System service charges and revenues from water sales for the current and next four Fiscal Years.

**CITY OF SAN BUENAVENTURA WATER SYSTEM
PROJECTED WATER SYSTEM SERVICE CHARGES AND SALES REVENUES**

<i>Fiscal Year</i>	<i>Residential</i>	<i>Commercial</i>	<i>Industrial, Public Agency and Other</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2015	\$13,099,771	4,252,614	\$8,812,441	\$26,164,826	(12.61)%
2016	13,860,130	4,486,745	9,281,147	27,628,022	5.59
2017	14,811,215	4,789,147	9,942,263	29,542,625	6.93
2018	15,819,717	5,116,425	10,652,350	31,588,492	6.93
2019	16,911,488	5,454,081	11,415,393	33,780,962	6.94

Source: Raftelis Financial Consultants 2014 Rate Study.

Projected Water System sales revenues reflect water deliveries described under the caption “—Projected Water System Deliveries,” rates and charges described under the caption “—Water System Rates and Charges” and implementation of conservation measures in response to the Governor’s call for a 20% reduction in Statewide per capita water use by 2020, but do not reflect the effect of the Statewide drought or City measures in response thereto. See the caption “—Water Supply—Drought Declaration.” The projected Water System sales revenues reflect approved rate increases through Fiscal Year 2018. See the caption “—Water System Rates and Charges.” There can be no assurance that the City Council will not repeal or modify such rate increases in the future or that the City’s ratepayers will not approve an initiative to repeal or modify any increase in water service rates and charges approved by the City Council.

The projected water sales revenues for Fiscal Year 2019 set forth above assume future rate increases that have not yet been authorized. Such rate increases are subject to the notice, public hearing and protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the City Council will adopt such rate increases as currently projected.

WATER SYSTEM FINANCIAL INFORMATION

Financial Statements

A copy of the most recent audited financial statements of the City (the “Financial Statements”) for the Fiscal Year ending June 30, 2013, prepared by White Nelson Diehl Evans, LLP, Irvine, California (the “Auditor”), are included as Appendix A. The Auditor’s letter dated March 26, 2014 is set forth on Page 1 of the Financial Section thereof. The Financial Statements are public documents and are included within this

Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit analysis of the financial condition of the City, nor has the Auditor reviewed or audited this Official Statement. The Financial Statements have been prepared on a combined basis and include the Water Fund and the Sewer Fund. The obligation of the City to make Installment Payments under the Installment Sale Agreement is limited to Net Revenues of the Water System and the City is not obligated to apply any other revenues to make such Installment Payments.

The summary operating results contained under the caption “—Historic Water System Operating Results and Debt Service Coverage” are derived in part from the Financial Statements and the City’s audited financial statements for prior years (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed or audited the summary operating results or any other portion of this Official Statement.

Investment of City Funds

The City invests its funds, including the Water Fund, in accordance with the City’s Investment Policy (the “Investment Policy”), which was most recently amended on June 16, 2014. In accordance with Section 53600 *et seq.* of the State Government Code, idle cash management and investment transactions are the responsibility of the City Treasurer. The Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy sets forth a stated objective, among others, of insuring the safety of invested funds by limiting credit and interest rate risks. Eligible investments are limited to the Local Agency Investment Fund which is operated by the State Treasurer, United States Treasury obligations with maturities not greater than 5 years, United States government agency securities with maturities not greater than 5 years, FDIC-insured or negotiable certificates of deposit with maturities not greater than 5 years, medium term notes with maturities not greater than 5 years, repurchase agreements, banker’s acceptances and commercial paper rated A1/P1/F1, as applicable, or better, State of California or municipal obligations and money market mutual funds. Funds are invested in the following order of priority:

- Safety of Principal
- Liquidity
- Return of Investment

The City Treasurer is required to provide a quarterly report to the City Manager and the City Council showing the type of investment, date of maturity, amount invested, current market value, rate of interest, and other such information as may be required by the City Council. See Note 2 to the Financial Statements set forth in Appendix A and Appendix B under the caption “INDENTURE OF TRUST—Investment of Funds” for further information with respect to the City’s investment policies with respect to the Water Fund and permitted investments of moneys held under the Indenture.

Water System Reserves

The City maintains a reserve policy for the Water System (the “Reserve Policy”). The Reserve Policy includes an Operating Reserves target of 3 months (or 25%) of Water System operating expenses and a Capital Reserves target of 50% of average annual replacement of Water System assets, gradually increasing to 100% over time. Operating Reserves are intended to provide working capital, allow for unanticipated changes to budgeted expenses and provide adequate cash flow during disasters or other emergencies. Capital Reserves are intended to assist in building financial stability to support the Water System’s capital replacement program. The Reserve Policy was adopted by the City Council on February 27, 2012 and is subject to change at any time in the discretion of the City Council. Neither the Indenture nor the Installment Sale Agreement require the City to maintain Water System reserves.

Between Fiscal Years 2009 through 2014, the Water System maintained a Fiscal Year-end average of \$23,715,318 in cash on hand. As of June 30, 2014, the Water System had approximately \$29,672,044 in cash on hand, which is equivalent to approximately 555 days' Operation and Maintenance Costs of the Water System. Such amount includes the restricted amount of \$1,453,404, which is set aside as a reserve fund for the SRF Loan and is not available for the payment of the Installment Payments. See the caption "THE WATER SYSTEM—Outstanding Obligations—SRF Loan." See Note 2 to the Financial Statements set forth in Appendix A for further information with respect to the City's reserves.

Historic Water System Operating Results and Debt Service Coverage

The following table is a summary of operating results of the Water System for the last five Fiscal Years. These results have been derived from the Financial Statements and audited financial statements of the City for prior years, as well as unaudited actual Fiscal Year 2014 results, but exclude certain receipts which are not included as Gross Revenues under the Installment Sale Agreement and certain non-cash items and include certain other adjustments.

CITY OF SAN BUENAVENTURA WATER SYSTEM HISTORIC OPERATING RESULTS (FISCAL YEAR ENDED JUNE 30)

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014⁽¹⁾</i>
GROSS REVENUES					
Service Charges and Sales Revenues ⁽²⁾	\$ 21,701,586	\$ 20,847,410	\$ 22,069,750	\$ 25,292,540	\$ 27,609,403
Transfers In ⁽³⁾	865,525	1,007,343	1,277,970	1,391,124	1,545,584
Other Revenues	19,577	3,416	3,329	7,099	-
Investment Income	<u>559,544</u>	<u>75,514</u>	<u>201,109</u>	<u>284,725</u>	<u>641,716</u>
TOTAL GROSS REVENUES	23,146,232	21,933,683	23,552,158	26,975,488	29,796,703
OPERATION AND MAINTENANCE COSTS⁽⁴⁾	<u>16,254,139</u>	<u>14,149,894</u>	<u>16,479,917</u>	<u>19,002,248</u>	<u>18,161,344</u>
NET REVENUES	<u>\$ 6,892,093</u>	<u>\$ 7,783,789</u>	<u>\$ 7,072,241</u>	<u>\$ 7,973,240</u>	<u>\$ 11,635,359</u>
DEBT SERVICE					
2004 Certificates ⁽⁵⁾	\$ 1,688,963	\$ 1,689,375	\$ 1,688,375	\$ 1,163,850	\$ -
SRF Loan	1,263,820	1,263,820	1,263,820	1,263,820	1,263,820
2012 ISA	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,604</u>	<u>2,710,316</u>
TOTAL DEBT SERVICE	<u>\$ 2,952,783</u>	<u>\$ 2,953,195</u>	<u>\$ 2,952,195</u>	<u>\$ 2,675,274</u>	<u>\$ 3,974,136</u>
DEBT SERVICE COVERAGE	2.33	2.64	2.40	2.98	2.93
NET REVENUES AVAILABLE FOR OTHER PURPOSES⁽⁶⁾	\$ 3,939,310	\$ 4,830,594	\$ 4,120,046	\$ 5,297,966	\$ 7,661,223

⁽¹⁾ Reflects unaudited actual Fiscal Year 2014 results.

⁽²⁾ Reflects water sales revenues set forth under the caption "THE WATER SYSTEM—Historic Water System Service Charges and Sales Revenues." Excludes deposits, other service charges and other receivables.

⁽³⁾ Reflects transfers received from other City funds for services provided by Water System.

⁽⁴⁾ Excludes bond amortization and depreciation expense and State Water Contract payments. See the caption "THE WATER SYSTEM—Water Supply—State Water Contract and 1995 Agreement."

⁽⁵⁾ Prepaid from proceeds of the 2012 ISA.

⁽⁶⁾ Available for State Water Contract payments. See the caption "THE WATER SYSTEM—Water Supply—State Water Contract and 1995 Agreement."

Source: City.

Projected Water System Operating Results and Debt Service Coverage

The City's projected operating results for the Water System for the current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the City's estimate of projected financial results based upon its judgment of the

most probable occurrence of certain important future events and a variety of assumptions, including the assumptions set forth in the footnotes to the chart set forth below. All of such assumptions are material in the development of the City's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

Recent Statewide drought conditions and the impact thereof are not reflected in the below projected operating results. The City continues to formulate its response to the drought, including by commissioning a Raftelis rate study and an update to its WSCP, and cannot predict the effect of the drought on Ventura Water's operations at this time. However, the City does not expect the drought to have a material adverse effect on the City's ability to generate sufficient Net Revenues to pay the Installment Payments, which secure the Bonds. See the caption "THE WATER SYSTEM—Water Supply—Drought Declaration."

**CITY OF SAN BUENAVENTURA WATER SYSTEM
PROJECTED OPERATING RESULTS (FISCAL YEAR ENDING JUNE 30)**

	2015 ⁽¹⁾	2016	2017	2018	2019
GROSS REVENUES					
Service Charges and Sales Revenues ⁽²⁾	\$ 26,164,826	\$ 27,628,022	\$ 29,542,625	\$ 31,588,492	\$ 33,780,962
Transfers In ⁽³⁾	2,398,408	2,421,018	2,488,666	2,694,217	2,772,751
Other Revenues	40,346	30,346	30,346	30,346	30,346
Investment Income ⁽⁴⁾	<u>459,374</u>	<u>435,262</u>	<u>359,832</u>	<u>366,988</u>	<u>354,829</u>
TOTAL GROSS REVENUES	29,062,954	30,514,648	32,421,469	34,680,043	36,938,888
OPERATION AND MAINTENANCE COSTS⁽⁵⁾	<u>22,500,863</u>	<u>22,682,591</u>	<u>23,309,589</u>	<u>24,337,149</u>	<u>25,088,547</u>
NET REVENUES	<u>\$ 6,562,091</u>	<u>\$ 7,832,057</u>	<u>\$ 9,111,880</u>	<u>\$ 10,342,894</u>	<u>\$ 11,850,341</u>
DEBT SERVICE					
SRF Loan ⁽⁶⁾	\$ 1,263,820	\$ 1,263,820	\$ 1,263,820	\$ 1,263,820	\$ 1,263,820
2012 ISA ⁽⁶⁾	2,709,650	2,705,591	2,708,491	2,708,485	2,705,874
2014 Installment Sale Agreement	<u>122,644</u>	<u>774,594</u>	<u>774,594</u>	<u>774,594</u>	<u>774,594</u>
TOTAL PARITY DEBT SERVICE	<u>\$ 4,096,114</u>	<u>\$ 4,744,005</u>	<u>\$ 4,746,905</u>	<u>\$ 4,746,899</u>	<u>\$ 4,744,288</u>
PARITY DEBT SERVICE COVERAGE	1.60	1.65	1.92	2.18	2.50
NET REVENUES AVAILABLE FOR OTHER PURPOSES⁽⁷⁾	\$ 2,465,977	\$ 3,088,052	\$ 4,364,975	\$ 5,595,995	\$ 7,106,053

⁽¹⁾ Reflects estimated Fiscal Year 2015 amounts.

⁽²⁾ Reflects projected water sales revenues set forth under the caption "THE WATER SYSTEM—Projected Water System Service Charges and Sales Revenues" as well as rates and charges set forth under the caption "THE WATER SYSTEM—Water System Rates and Charges." Assumes implementation of additional rate increases in Fiscal Year 2019 that have not yet been authorized. Such rate increases are subject to the notice, public hearing and protest provisions of Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218." There can be no assurance that the City Council will adopt such rate increases as currently projected.

⁽³⁾ Reflects transfers received from other City funds for services provided by Water System. Increase from Fiscal Year 2014 amount in Fiscal Year 2015 reflects payments expected to be received from the City's wastewater system for certain expenses incurred by the Water System but allocated to the City's wastewater system, including resource planning, billing and water efficiency programs.

⁽⁴⁾ Based on City projections of income on Water System reserves and other available Water System moneys.

⁽⁵⁾ Excludes bond amortization and depreciation expense and State Water Contract payments. See the caption "THE WATER SYSTEM—Water Supply—State Water Contract and 1995 Agreement." Reflects certain assumptions with respect to the City's water supply. See the caption "CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions" and "CERTAIN RISKS TO BONDHOLDERS—Water System Expenses."

⁽⁶⁾ Reflects scheduled payments. See the caption "THE WATER SYSTEM—Outstanding Obligations."

⁽⁷⁾ Available for State Water Contract payments. See the caption "THE WATER SYSTEM—Water Supply—State Water Contract and 1995 Agreement."

Source: City.

CERTAIN RISKS TO BONDHOLDERS

The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations may be relevant to making investment decisions with respect to 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.

Limited Obligations

The obligation of the City to pay the Installment Payments, which secure the payments of principal of and interest on the Bonds, is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues of the Water System. The obligation of the City to pay the Installment Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

Accuracy of Assumptions

To estimate the revenues available to pay debt service on the Bonds, the City has made certain assumptions with regard to the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The City believes the assumptions in this Official Statement to be reasonable, but to the extent that any of these assumptions fail to materialize, the Net Revenues available to pay the Installment Payments will, in all likelihood, be less than those projected herein. See the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage.” The City may choose, however, to maintain compliance with the rate covenant set forth in the Installment Sale Agreement in part by means of contributions from available reserves or resources. In such event, Net Revenues may generate amounts which are less than 1.20 times Debt Service in any given Fiscal Year. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Covenant.”

Water System Demand and Revenues

There can be no assurance that the demand for water service will occur as described in this Official Statement. Additional reductions in levels of demand could require increases in rates or charges in order to comply with the rate covenant. Demand for water service could be reduced as a result of increases in recycled water deliveries (which do not constitute part of the Water System) to the extent that customers purchase recycled water rather than potable water, as a result of reduced levels of development in the City or as a result of other factors. In addition, the City, like much of the State, is currently experiencing a prolonged and severe drought and Ventura Water is implementing measures designed to encourage Water System customers to conserve water. See the caption “THE WATER SYSTEM—Water Supply—Drought Declaration.” Although the City is projecting slight decreases in Water System deliveries, the City is also projecting increases in Water System revenues as a result of adopted and projected rate increases. See the captions “THE WATER SYSTEM—Projected Water System Deliveries” and “THE WATER SYSTEM—Projected Water System Service Charges and Sales Revenues.” However, there can be no assurance that actual Water System demand and revenues will not be materially different from such projections.

Water System Expenses

There can be no assurance that the City’s expenses will be consistent with the descriptions in this Official Statement. Water System Operation and Maintenance Costs may vary with labor costs (including costs related to pension liabilities), hydrological conditions and the quality and amount of local and imported water supplies, as well as treatment costs, regulatory compliance costs and other factors. Such factors include, but are not limited to, the City’s assumptions that groundwater extraction charges paid to United will be in the

amounts currently approved by United, that the City will successfully negotiate a reduction in the amount of water that it is obligated to purchase from Casitas each year under the 1995 Agreement, that the City will not take SWP water in the future and that PERS contributions will not increase at rates significantly higher than projected. See the captions “THE WATER SYSTEM—Water Supply—Groundwater—United Water Conservation District” “THE WATER SYSTEM—Water Supply—State Water Contract and 1995 Agreement” and “THE WATER SYSTEM—Employee Relations—Pension Plan.” Increases in expenses could require an increase in rates or charges in order to comply with the rate covenant and generate sufficient Net Revenues to pay the Bonds. Pursuant to an ordinance adopted by the City Council on May 20, 2014, any increases in the City’s groundwater extraction charges imposed by United or other increases in the costs of purchasing or producing water will be passed through to Water System customers in the form of increased water rates.

Limited Recourse on Default

If the City defaults on its obligation to pay the Installment Payments or the payments under the 2012 ISA or the SRF Loan, the Trustee or the State, as applicable, have the right to declare the total unpaid principal of the Installment Payments and the payments under the 2012 ISA, or the total unpaid principal of the SRF Loan, as applicable, together with the accrued interest with respect thereto, to be immediately due and payable. Parity Debt owners may have similar rights. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient funds to pay the accelerated amounts due on the Installment Payments, the 2012 ISA and any Parity Debt from Net Revenues.

Rate-Setting Process under Proposition 218

Proposition 218, which added Articles XIII C and XIII D to the State Constitution, affects the City’s ability to maintain existing rates and impose rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Net Revenues in the amounts required by the Installment Sale Agreement to pay the Installment Payments. The City believes that the current water rates approved by the City Council were effected under the public hearing and majority protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES.”

Statutory and Regulatory Compliance

Laws and regulations governing treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the Water System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Water System comprising Operation and Maintenance Costs or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for public agency water systems such as that operated by the City may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the City. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the City to generate Net Revenues sufficient to pay the Installment Payments.

See the caption “THE WATER SYSTEM—Water Supply—Ventura River” for a discussion of certain litigation that could impact the City’s water rights in the Ventura River.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, earthquake, tsunami, landslide, drought or flood, could result in substantial damage to and interference with the operations of the Water System and have an adverse material impact on the economy within the City, its Water Fund and the revenues available for the payment of the Installment Payments. Portions of the Water System may be subject to unpredictable seismic activity. Four known active or potentially active faults (the Ventura, Oak Ridge, Red Mountain and Country Club faults) are located within the City. To date, only the Ventura fault has been designated active by the State Department of Mining and Geology within City limits. Neither the Installment Sale Agreement nor the Indenture require the City to maintain earthquake insurance.

The City maintains liability insurance for the Water System and property casualty insurance (for losses other than from seismic events) for certain portions of the Water System. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Insurance.” However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. Furthermore, as described under the caption “THE WATER SYSTEM—Water System Insurance,” significant portions of the Water System, including pipelines, are not covered by property casualty insurance. Damage to such portions of the Water System as a result of natural disasters would result in uninsured losses to the City.

Limitations on Remedies

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to pay the Installment Payments may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” Furthermore, the remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture or the Installment Sale Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition, usual equity principles may limit the specific enforcement under State law of certain remedies, as may 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 and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise 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, limitations, or modification of their rights. Remedies may be limited because the Water System serves an essential public purpose.

In addition to the limitations on remedies contained in the Indenture and the Installment Sale Agreement, the rights and obligations thereunder may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State. The opinion to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See Appendix C. In the event that the City fails to comply with its covenants under the Installment Sale Agreement or fails to pay the Installment Payments, which secure the payments of principal of and interest on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

Loss of Tax Exemption on Bonds

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, the City and the Authority have covenanted in the Installment Sale Agreement and the Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and not to take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds thereunder. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such Bonds as a result of acts or omissions of the City or the Authority in violation of these or other covenants applicable to the Bonds. The Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture. See the caption "TAX MATTERS."

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

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, 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, ALL 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.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Parity Obligations

The Installment Sale Agreement permits the City to issue or incur additional Parity Debt payable from Net Revenues of the Water System on a parity with the Installment Payments, subject to the terms and conditions set forth therein. The issuance or incurrence of additional Parity Debt could result in reduced Net Revenues available to pay the Installment Payments. The City has covenanted to maintain Net Revenues in each Fiscal Year which are sufficient to provide annual Debt Service coverage of 120%, as further described

under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Obligations—Issuance of Parity Debt.”

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

Article XIII B of the State Constitution limits the annual appropriations of the State and of any district, county, school district, corporation 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 and population. The “base year” for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (a) the financial responsibility for a service is transferred to another public entity or to a private entity; (b) the financial source for the provision of services is transferred from taxes to other revenues; or (c) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (i) regulatory licenses, user charges, and user fees (but only to the extent that such proceeds exceed the cost of providing the service or regulation); and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to 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 which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The City is of the opinion that its charges for water service do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B. The City has covenanted in the Installment Sale Agreement that it will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System sufficient to provide for payment of the Installment Payments in each year. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Covenant.”

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Articles XIII C and XIII D to the State Constitution. According to the “Title and Summary” of the Initiative prepared by the State Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIII D. Article XIII D defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIII D further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water or wastewater service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

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

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “*Bighorn Case*”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City has complied with the notice and public hearing requirements of Article XIID in determining whether to change Water System rates and charges since its first post-*Bighorn Case* rate increase in 2006.

Article XIIC. Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn Case* that the provisions of Article XIIC included rates and fees charged for domestic water use. In its ruling, the State Supreme Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. In any event, the City does not believe that Article XIIC grants to the voters within the City the power to repeal or reduce rates and charges for the water service provided by the Water System in a manner which would be inconsistent with the contractual obligations of the City. However, there can be no assurance of the availability of particular remedies adequate to protect the Beneficial Owners of the Bonds. Remedies available to Beneficial Owners of the Bonds in the event of a default by the City are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the Bonds, the Indenture and the Installment Sale Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies

in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as a measure that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the City's revenues or ability to increase revenues.

SAN BUENAVENTURA PUBLIC FACILITIES FINANCING AUTHORITY

The Authority was established by Ordinance No. 85-17, adopted by the City Council on May 28, 1985 pursuant to the City Charter and the Constitution of the State of California, as a public body corporate and politic acting to facilitate the financing of the acquisition, construction and improvement of facilities serving the public purposes of the City. The governing body of the Authority consists of the existing members of the City Council.

Pursuant to Ordinance No. 85-17, the Authority is empowered to construct, acquire, maintain and improve public facilities and improvements within the City and to sell, lease, exchange, transfer, encumber or otherwise dispose of any interest in property. The Authority does not have the power to levy taxes.

TAX MATTERS

Federal Tax Status of Bonds

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

California Tax Status

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

Tax Treatment of Original Issue Discount and Premium

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

Other Tax Considerations

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

Circular 230 Disclaimer

To ensure compliance with requirements imposed by the Internal Revenue Service, Bond Counsel informs owners of the Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) (a) was not intended or written to be used and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer and (b) was written to support the promotion or marketing of the Bonds. Each taxpayer should seek advice based on that taxpayer's particular circumstances from an independent tax advisor.

Form of Opinion

A copy of the proposed opinion of Bond Counsel relating to the Bonds is attached as Appendix C.

CERTAIN LEGAL MATTERS

The Bonds are offered when, as and if issued and received by the Underwriter, subject to approval as to the valid, legal and binding nature of the Bonds by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Disclosure Counsel. In addition, certain legal matters will be passed upon for the City and the Authority by the City Attorney/Authority Counsel and for the Trustee by its counsel. The Underwriter was represented by its

counsel, Greenberg Traurig, LLP, Phoenix, Arizona (“Underwriter’s Counsel”). Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon the issuance of the Bonds.

LITIGATION

The City

At the time of delivery of and payment for the Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the City, threatened against the City affecting the existence of the City or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Installment Sale Agreement and the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Installment Sale Agreement, or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents, nor to the knowledge of the City, is there any basis therefor.

The Authority

At the time of delivery of and payment for the Bonds, the Authority will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Installment Sale Agreement and the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Installment Sale Agreement, or any action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the Bonds or any action of the Authority contemplated by any of said documents, nor to the knowledge of the Authority, is there any basis therefor.

RATING

The Authority expects that Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), will assign the Bonds the rating of “AA”. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P.

UNDERWRITING

First Southwest Company (the “Underwriter”) has agreed, subject to certain customary conditions, to purchase the Bonds at a purchase price of \$18,147,850.90 (being the aggregate principal amount thereof plus a net original issue premium of \$1,611,043.40 and less an Underwriter’s discount of \$108,192.50). The Underwriter’s obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be sold and offered to certain dealers and others at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services.

CONTINUING DISCLOSURE

The City has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City by 270 days following the end of the City's Fiscal Year (currently its Fiscal Year ends on June 30) (the "Annual Report"), commencing with the report for Fiscal Year ending June 30, 2014, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with EMMA. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in Appendix D. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2 12(b)(5) promulgated under the Securities Exchange Act of 1934.

The City filed its audited financial statements for Fiscal Years 2009 and Fiscal Year 2013 after the time by which such filings were required to be made pursuant to previous continuing disclosure undertakings of the City. In addition, the Fiscal Year 2011 continuing disclosure annual report for the Redevelopment Agency of the City of San Buenaventura 2008 Tax Allocation Refunding Bonds (Merged San Buenaventura Redevelopment Project) and the Redevelopment Agency of the City of San Buenaventura Merged San Buenaventura Redevelopment Project 2003 Tax Allocation Refunding Bonds, obligations which were issued by the City's former redevelopment agency, was not originally linked on EMMA to such obligations. However, such continuing disclosure annual report, which has consisted of the City's audited financial statements since the dissolution of redevelopment agencies in 2012, was filed in connection with other City obligations, was available on the City's website and has been linked to such obligations prior to the date hereof. Other than as set forth in this paragraph, the City has not previously failed to comply with any previous continuing disclosure undertaking in any material respect in the last five years.

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ADDITIONAL INFORMATION

The summaries or references to the Installment Sale Agreement, the Indenture and other documents, agreements and statutes referred to herein, and the description of the Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute.

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

During the initial offering period for the Bonds, copies of the Installment Sale Agreement and the Indenture may be obtained, upon written request, from the City.

The execution and delivery of this Official Statement have been duly authorized by the City Council of the City and the Board of Directors of the Authority.

CITY OF SAN BUENAVENTURA

By: /s/ _____
Mark Watkins, City Manager

CITY OF SAN BUENAVENTURA PUBLIC FACILITIES
FINANCING AUTHORITY

By: /s/ _____
Mark Watkins, Executive Director

APPENDIX A
AUDITED FINANCIAL STATEMENTS

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COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

CITY OF
VENTURA
CALIFORNIA



COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

Jay Panzica, Chief Financial Officer



Introductory Section

**City of San Buenaventura
Comprehensive Annual Financial Report
For the year ended June 30, 2013**

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Comprehensive Annual Financial Report
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COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

March 26, 2014

Honorable Mayor and City Councilmembers, and the Citizens of the City of San Buenaventura:

City policy requires the annual publication of a complete set of audited financial statements. This Comprehensive Annual Financial Report (CAFR) is published to fulfill that requirement for the fiscal year ended June 30, 2013.

This report consists of management's representations concerning the finances of the City, and was prepared by the Finance and Technology Department in conjunction with the City's independent auditors. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements by reviewing each of the following categories:

- Achievement of business objectives and goals
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

White Nelson Diehl Evans LLP has issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of San Buenaventura, generally referred to as the City of Ventura, is located on the southern California coastline, approximately 62 miles northwest of the City of Los Angeles and 364 miles south of the City of San Francisco. The city limits cover approximately 33 square miles.

The City was incorporated in 1866 and has been the County seat since 1873. The City is a charter city with a council-manager form of government. A seven-member City Council is elected at large for four-year alternating terms at elections held every two years. The Mayor of the City is the presiding officer of the City Council and is selected by the City Council from its members to serve a two-year term. The City Manager, appointed by the City Council for an indeterminate term, acts as chief executive officer in carrying out the policies of the City Council.

The City's first charter was adopted in 1932. The present charter was adopted by election on November 6, 1973, and approved by the California legislature in January 1974 and was amended on November 7, 1995. With 597 full time employee positions authorized in the FY 2012-13 citywide budget, the City provides a full range of services, including public safety (law enforcement and fire protection), public works, community development, community recreational services, and general government (finance, technology, purchasing, legal, licensing and code enforcement). In addition,

enterprise funds account for the operations of the water/wastewater services being provided by Ventura Water, as well as two municipal golf courses. The Council is required to adopt a final budget by no later than the close of the fiscal year. The annual budget serves as the foundation for the City's financial planning and control. The annual budget is prepared and organized by fund, department, and project. City department heads may make transfers within their departments; however, all transfers over \$50,000 are reported to City Council. All transfers between funds require approval of the City Council.

Economic Condition and Outlook

The economic condition of the City in fiscal year 2013 continued its recent trend towards improvement. This was due in part to the City's ongoing commitment to an economic development strategy that continues to achieve results. The emphasis on generating both private and public sector value will add to our community's stability and wealth. The City's revenue base is a blend of business and commercial, light and heavy industrial, and residential uses. The City's economy revolves chiefly around the County government facilities, financial services, retail operations, and a well-developed agriculture-based food processing industry. Government services employ over 12,000 workers, providing relative stability to the City's employment base.

In July 2013, the Los Angeles Economic Development Corporation (LAEDC) issued its 2013-2014 Mid-Year Economic Forecast & Industry Outlook, with a section devoted to Ventura County. In its opening remarks, the LAEDC noted that "Ventura is home to a broad array of industries that include agriculture, professional business services, technology, and tourism". It went on to note that "economic activity in Ventura County accelerated at the start of 2013. Most industries added jobs since the start of the year, resulting in an impressive decline in the unemployment rate since the start of the year. The housing market is also on the mend with the county's median price for an existing home in the \$500,000 range for the first time in five years".

Regarding employment, the LAEDC stated that "Ventura County's unemployment rate registered remarkable improvement in the first part of this year, declining from 9.0% in January to 6.6% in May (2013). This came as average monthly nonfarm employment grew 1.6% in the first five months of 2013 compared to the same period last year. Ventura County has the second lowest unemployment rate in the greater Los Angeles area, surpassed only by Orange County. Average employment rose in most private sector industries through the first five months of 2013. The largest gains were in leisure and hospitality (the second largest private sector industry by employment in the county), administrative and support services, construction, and professional, scientific, and technical services. Mining and logging, manufacturing, and finance and insurance all lost jobs. Employment in the government sector was roughly flat. In percentage terms, construction led the way with an 8.3% gain followed by a 7.3% jump in leisure and hospitality".

Regarding tourism, the report noted "The size of the leisure and hospitality sector (14% of nonfarm employment) reflects the importance of tourism to Ventura County. On a year-to-date basis through May, occupancy rates were down marginally, but room rates and room revenues were up by just under 3%. Gains in retail employment may also be due in part to an increase in the number of tourists. As the Los Angeles County economy improves in the coming years, Ventura County's tourism industry will benefit from more visits by its next-door neighbors."

In total, the City is expecting minor improvements in its overall revenue levels in the FY 2013-14 fiscal year, as well as in FY 2014-15. Sales tax is expected to continue its slow recovery in the two to three percent growth range; Triple Flip property taxes are expected to level off or decline slightly; and property tax is expected to grow at about two percent for the next twelve to twenty four months. In addition, the income derived from Transient Occupancy Tax is expected to grow at annual rate of

about three percent through FY 2014-15. The level of taxes, fees, and charges for services (including development-related mitigation fees) will have a bearing on the City's competitive ability to encourage retail, office, residential, and industrial development to locate within the jurisdiction. Since the City places significant emphasis on encouraging economic development with higher paying jobs, a review of City fees was put in place prior to the end of calendar year 2013.

Cash Management

The City has a formal investment policy, which is updated and submitted to Council on an annual basis. This policy provides guidance as to the investment and handling of the City's available cash. In addition to community-related economics, i.e., business, employment, and real estate indices, the City's finances and operations are directly impacted by national and regional economic trends. As an example the interest earnings on the City's investment portfolio continued to be at historically low levels and are expected to do so throughout FY 2013-14. This ongoing multi-year decrease in market rate returns for allowable investments has resulted in the city's average yield to maturity (YTM) on its investment portfolio being at 0.969% for the fiscal year ended June 30, 2013. This represents a slight decrease from the prior year's YTM of 0.979%.

Long-Term Financial Planning

The City has consistently planned its budgets with an effort to address the long-term needs of the City. As a result, the City will continue submitting a detailed six-year Capital Improvement Projects Plan. In support of this plan, the City successfully sold \$25.0 million in new bonds in November 2012, for Ventura Water to invest in new infrastructure over the next three years.

Major projects for both the General Fund and the Water/Wastewater Funds during FY 2013-14, and their remaining appropriations, include the following:

Enterprise Funds

- Waterline Replacement - Harbor Blvd \$2.2 million
- Automated Meter Reading Installation – Citywide \$4.7 million
- Well - Saticoy Well 3 \$1.0 million
- Pump Station - Gosnell Pump Station Rehabilitation \$1.8 million
- Waterline Replacement - N Catalina \$1.3 million
- Sewerline Replacement - Avenue Area \$2.4 million
- Waterline Replacement - Montalvo Area \$4.2 million

Public Works

- Annual Street Maintenance \$7.6 million
- Highway 126 Bike Path Gap Closure \$1.0 million
- Traffic Signal Infrastructure Modernization \$0.5 million
- Community Park Sports Fields #3 & #5 \$0.6 million
- Surfers' Point Cobble Nourishment \$0.5 million
- City Hall HVAC Improvements \$1.0 million
- City Hall East First Floor Refurbishments \$0.8 million

Relevant Financial Policies

The City has financial policies and procedures, which are updated and submitted to Council as part of the budgeting process on an annual basis. Of note is the fact that the General Fund maintains \$12

million committed for contingencies as per these financial policies. In addition the City has a formal reserve policy in regards to Ventura Water as part of a Cost of Service and Rate Design study. A structured policy is a common business practice for modern utilities, and the policy recommended during the study was prudent for the needs of the utility. It was developed as part of a 10-year Financial Plan that was approved and formally adopted by the City Council. The reserve targets in this Plan include an Operating Reserves target of three months (or 25%) of operating expenses and a Capital Reserves target of 50% of average annual replacement of assets, gradually increasing to 100% in FY 2016-17. The Operating Reserves will provide working capital, allow for unanticipated changes to budgeted expenses, and provide adequate cash flow during disasters or other emergencies. The Capital Reserves will assist in building financial stability to support a healthy replacement program going forward.

Furthermore, it is the City's policy to ensure that adequate sustainable long-term revenues are available to support any new debt issues. This was reaffirmed both in practice, and by the rating agencies, during the refinancing that occurred this year.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ventura for its CAFR for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must have published an easily readable and efficiently organized CAFR, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to program requirements and will be submitted to the GFOA.

Acknowledgements

I would like to thank the management and staff of the Finance and Technology Department for their contributions to the preparation of this year's CAFR. In addition, I would like to thank the staff of White Nelson Diehl Evans LLP, the City's independent auditors, for their proactive assistance and advice during the past fiscal year. We would also like to acknowledge the Mayor and Council Members, the City Manager's staff, and department director's for their continuing support in maintaining the highest standards of professionalism in the management of the City's finances.

The CAFR is available in the City Council's reading file as well as on the City's website.

Respectfully submitted,



Jay Panzica
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of San Buenaventura
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

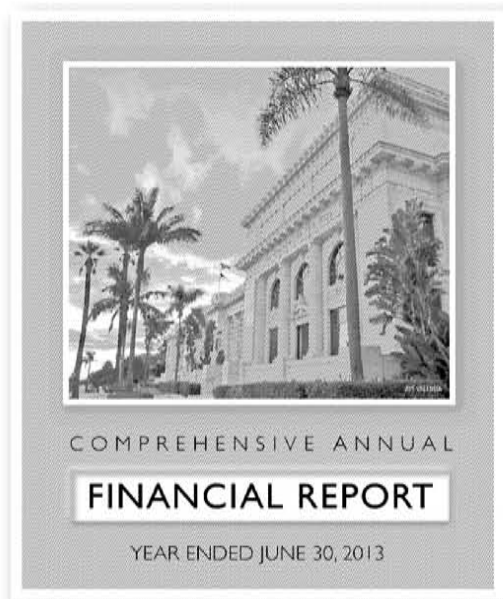
Executive Director/CEO



COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013



DIRECTORY OF CITY OFFICIALS

Mike Tracy
Mayor

Cheryl Heitmann
Deputy Mayor

James L. Monahan
Councilmember

Neal Andrews
Councilmember

Carl E. Morehouse
Councilmember

Brian Brennan
Councilmember

Christy Weir
Councilmember



Mark Watkins
City Manager

James Mason
Assistant City Manager

Cyndi Rodriguez
City Clerk

Jay Panzica
Chief Financial Officer

Don McPherson
Fire Chief

Jeffrey Lambert
Community Development
Director

Ken Corney
Police Chief

Elena Brokaw
Parks, Recreation &
Community Partnerships
Director

Rick Raives
Public Works
Director

Jenny Roney
Human Resources
Director

Ariel Calonne
City Attorney

Shana Epstein
Ventura Water
General Manager

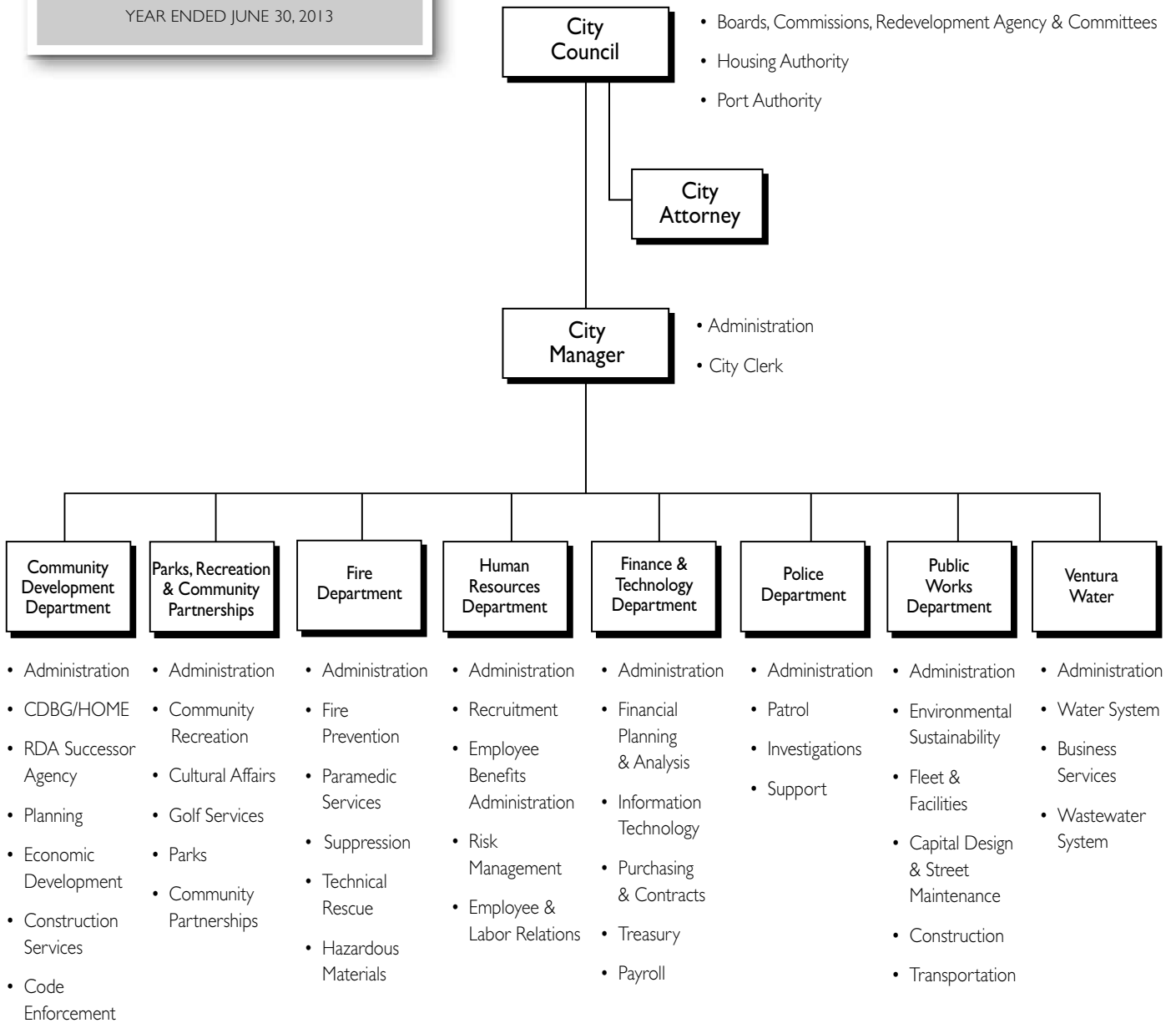


COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

ORGANIZATIONAL STRUCTURE





Financial Section

INDEPENDENT AUDITORS' REPORT

To the City Council Members
of the City of San Buenaventura
San Buenaventura, 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 San Buenaventura (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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 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 San Buenaventura, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1Q to the financial statements, the City incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Note 1Q to the financial statements, the City has changed its method for accounting and reporting certain items previously reported as assets or liabilities during the fiscal year ended June 30, 2013 due to the adoption of Governmental Accounting Standards Board's Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary information and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 the schedule 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 the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary 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 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 information is 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 as a whole. The introductory section, supplementary information in the financial section, statistical section and annual continuing disclosure requirements section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information in the financial section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information in the financial section is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section, statistical section and annual continuing disclosure requirements section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no 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 March 26, 2014 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
March 26, 2014



COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013



Management's Discussion
& Analysis

City of San Buenaventura
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED June 30, 2013

As management of the City of San Buenaventura (City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which is found on pages v-vii of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Net position of the City totaled \$372.4 million at June 30, 2013. Of this amount, \$68.9 million is unrestricted and may be used to meet the City's ongoing obligations to citizens, utility customers, and creditors, subject to applicable laws and regulations.
- The City's total net position, including all activities, increased by \$2.1 million compared to last fiscal year.
- The City's total net noncurrent liabilities increased by \$31.6 million or 27.8% during fiscal year 2012-13.
- As of June 30, 2013, the City's governmental funds reported combined ending fund balances of \$75.1 million.
- As of June 30, 2013, the total fund balance for the General Fund was \$29.4 million, an increase of \$1.1 million from the prior year. Fund balance is classified per GASB Statement No. 54 as Nonspendable (\$6.3 million), Restricted (\$5.5 million), Committed (\$14.0 million), and Assigned (\$3.6 million). Additional information on the City's General Fund balances is located in Note 10.
- As of June 30, 2013, the City's other governmental funds, excluding the General Fund, reported combined ending fund balances of \$45.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. Each of these sections is discussed below. This report also contains other required and supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The **Government-Wide Financial Statements** are designed to present financial information about the City as a whole in a manner similar to the private sector, including the use of accrual-based accounting to recognize its revenues and expenses. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on user fees and charges to fund their operations. Governmental activities include those traditionally associated with local government, such as public safety (fire and police), community development, public works, parks and recreation, and general government (administrative) functions. Business-type activities include the City's utility operations (water and wastewater) and golf course.

The **Statement of Net Position** presents information on all of the City's assets, including capital assets, and deferred outflows, and all related current liabilities, deferred inflows, and long-term obligations. The difference between total assets and deferred outflows and total liabilities and deferred inflows is presented as net position, which serves as a measure of the financial health of the City. Over time, an increase in net position generally indicates that the financial health of the City is improving.

The **Statement of Activities** presents information showing how the government's net position changed during the most recent fiscal year. Decreases in net position are presented as "Expenses;" increases in net position are presented as "Revenues." Revenues directly attributable to a particular function within the City are presented as "Program Revenues." Tax revenues, including those restricted to a particular program function, are reported as "General Revenues" unless specifically required to be reported as program revenues (i.e. gas and transportation taxes).

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (such as, revenues pertaining to uncollected taxes, or expenses pertaining to earned, but unused, vacation and sick leave).

The government-wide financial statements include not only the City of San Buenaventura (known as the *primary government*), but also one legally separate component unit: Public Facilities Financing Authority. The governing board of this entity is comprised entirely of members of the City Council, and the financial activity has been included as an integral part of the primary government.

The government-wide financial statements are located on pages 17 - 18 of this report.

Fund Financial Statements

The City, like other state and local governments, uses fund accounting for recording its financial activities. In general, fund accounting provides a mechanism to separately account for a variety of different funding sources and enables the City to demonstrate compliance with legal and/or contractual requirements that may be associated with these funds. Thus, the accompanying fund financial statements present individual funds organized into one of three categories: Governmental, Proprietary, and Fiduciary Funds. Note that the fund financial statements only present information on the most significant (i.e. "major") funds on the face of the statements. Nonmajor funds are grouped and presented in total on the face of the statements. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the government-wide financial statements. This is designed to explain the differences created by the integrated approach to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds- Most of the City's basic services are reported in governmental funds. Governmental funds include the General Fund, Special Revenue, Capital Projects, and Debt Service funds. In the fund financial statements, all governmental fund types are reported using the modified accrual basis of accounting, whereby revenues are generally recognized when measurable and available to finance current operating costs, and expenditures are recognized when the related liability is incurred. In addition, the focus is on inflow (revenues) and outflow (expenditures) of the current period. As such, the balance sheets of governmental funds are intended to present only short-term assets and liabilities.

The fund financial statements include separate columns, by fund type, for all "major" governmental funds of the City. All "Nonmajor" governmental funds are consolidated into a single column labeled "Other Governmental Funds." The details of these funds are included in the Combining and Individual Fund Statements and schedules located in the supplementary information section of this report on pages 79 - 99.

Since the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing this comparison, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The City adopts an annual appropriated budget for its funds. A budgetary comparison is provided for all of the City's Governmental Funds to demonstrate compliance with this budget.

Proprietary funds – Proprietary funds are used to account for services provided to external customers or other City departments and funds that are primarily funded from user fees and charges. Proprietary funds use the accrual basis of accounting and measure the balance and change in total economic resources. Accordingly, balance sheets of proprietary funds include all assets and liabilities, including long-term receivables, capital assets, and long-term liabilities. The basis of accounting and measurement focus used to prepare proprietary fund statements is the same that is used to prepare the government-wide statements. Thus, proprietary fund statements provide the same, but more detailed, information about these funds, which are included in the “Business-Type Activity” column of the government-wide statements.

The City maintains two different types of proprietary funds: *Enterprise and Internal Service*.

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Wastewater, and Golf Funds. Water and Wastewater Funds are classified as major funds. The Golf Fund is classified as a non-major fund.
- **Internal Service funds** are used by the City to account for its intra-city services: information technology services, fleet services, building maintenance, digital publishing, workers' compensation, employee fringe benefits, and risk management.

Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the supplementary information section.

Fiduciary funds are used to account for resources held by the City as trustee on behalf of other agencies or individuals. Fiduciary funds are not presented in the accompanying government-wide financial statements since the resources of those funds are not available to support the City's programs. The basis of accounting used for the fiduciary funds is similar to what is used for the proprietary funds. The fiduciary funds financial statements are located in the basic financial statements section of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the City's progress in funding the obligation to provide pension benefits to City employees and budgetary comparison schedules for the General Fund.

The combining statements, referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary funds are presented following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. As shown in the table below, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$372.4 million at June 30, 2013.

Approximately 55% of the City's net position are attributable to its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens and consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets alone may not be used to liquidate these liabilities.

Approximately 26.6% of the City's net position are subject to restrictions imposed by external parties, and their use is determined by those restrictions and contractual agreements. The remaining amount of \$68.9 million may be used by the City to meet ongoing operations, subject to applicable federal and state laws and regulations.

Statement of Net Position As of June 30, 2013 and 2012 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and Other Assets	\$ 125,829	\$ 132,035	\$ 79,469	\$ 54,600	\$ 205,298	\$ 186,635
Capital Assets	142,578	139,845	199,522	197,356	342,100	337,201
Total Assets	268,407	271,880	278,991	251,956	547,398	523,836
Deferred Outflows of Resources	746	-	3,287	-	4,033	-
Liabilities:						
Current Liabilities	28,867	37,681	4,724	6,664	33,591	44,345
Long-Term Liabilities	60,537	56,998	84,855	56,786	145,392	113,784
Total Liabilities	89,404	94,679	89,579	63,449	178,983	158,129
Net Position:						
Net Investment in Capital Assets	89,592	90,725	114,667	138,392	204,259	229,117
Restricted	43,585	46,683	55,665	42,864	99,250	89,547
Unrestricted	46,571	39,793	22,368	7,250	68,939	47,043
Total Net Position	\$ 179,748	\$ 177,201	\$ 192,700	\$ 188,506	\$ 372,448	\$ 365,707

Statement of Activities

As discussed earlier, the Statement of Net Position provides a measure of the financial health of an entity at a specific date in time (i.e. year-end). In contrast, the Statement of Activities provides details of how net position changed from the prior year. Generally, it indicates whether the financial health of the City as a whole is better at June 30, 2013, in relation to a year earlier. For the fiscal year ended June 30, 2013, total net position increased by \$2.1 million.

The following table summarizes the Statement of Activities for Governmental Activities and Business-Type Activities for the fiscal year ended June 30, 2013, with comparative totals for the fiscal year ended June 30, 2012.

Statement of Activities Fiscal Years Ended June 30, 2013 and 2012 (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues						
Charges for Service	\$ 16,262	\$ 15,075	\$ 48,845	\$ 44,006	\$ 65,107	\$ 59,081
Operating Grants	7,516	9,593	-	-	7,516	9,593
Capital Grants	2,723	2,097	-	-	2,723	2,097
General Revenues						
Taxes						
Property	28,080	22,008	-	-	28,080	22,008
Other	20,385	19,250	-	-	20,385	19,250
Intergovernmental Revenues						
Sales Taxes	21,893	19,856	-	-	21,893	19,856
Motor Vehicle License	56	7,903	-	-	56	7,903
Investment Earnings/ (loss)	(592)	712	491	489	(101)	1,201
Total Revenues	96,323	96,494	49,336	44,495	145,659	140,989
Expenses:						
General Government	3,588	3,839	-	-	3,588	3,839
Human Resources	818	935	-	-	818	935
Finance and Technology	6,289	6,904	-	-	6,289	6,904
Community Development	7,825	8,821	-	-	7,825	8,821
Parks, Rec & Com Partnerships	13,859	13,874	-	-	13,859	13,874
Public Safety-Police	29,862	30,232	-	-	29,862	30,232
Public Safety-Fire	16,530	16,587	-	-	16,530	16,587
Public Works	17,052	18,803	-	-	17,052	18,803
Interest on Long Term Debt	1,615	2,721	-	-	1,615	2,721
Wastewater	-	-	15,582	18,526	15,582	18,526
Water	-	-	25,876	22,857	25,876	22,857
Golf Operations	-	-	4,661	4,705	4,661	4,705
Total Expenses	97,437	102,716	46,119	46,088	143,557	148,804
Increase (Decrease) In Net Position	(1,114)	(6,222)	3,217	(1,593)	2,103	(7,815)
Transfers	1,534	1,537	(1,534)	(1,537)	-	-
Extraordinary gain on dissolution of RDA	-	20,623	-	-	-	20,623
Change In Net Position	420	15,938	1,683	(3,130)	2,103	12,808
Net Position-Beginning, as restated	179,329	161,263	191,017	191,636	370,346	352,899
Net Position- Ending	\$ 179,749	\$ 177,201	\$ 192,700	\$ 188,506	\$ 372,449	\$ 365,707

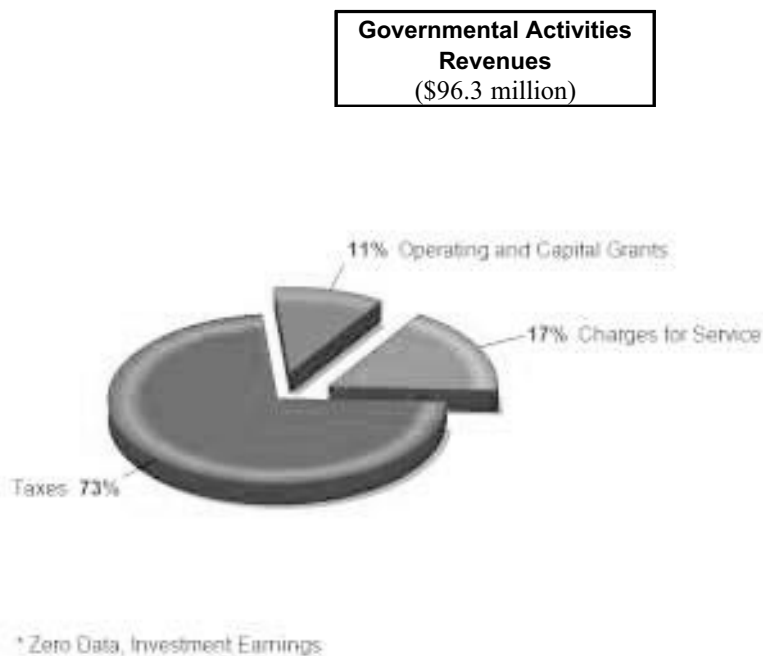
Governmental Activities

Revenue Highlights

Total revenues of governmental activities were \$96.3 million. The largest component of total revenue is taxes at \$70.4 million, making up 73% of total revenues. This is consistent with the nature and purpose of governmental funds, particularly in the General Fund, where programs are largely supported by general taxes. The highest tax revenues received by the General Fund include property tax (\$28.1 million), sales tax (\$21.9 million), and utility users tax (\$8.6 million). Some of the key changes in revenues are:

- Sales tax revenues increased by \$2.0 million or 10% compared to the prior year. After a few years of a downward trend, this major revenue source has been increasing once again.
- Other taxes increased almost \$1.1 million, in large part, due to continued strong growth in the City's card room tax, business licenses, and transfer tax revenues.
- Property taxes increased by \$6.1 million, mostly due to the dissolution of the Redevelopment Agency. In the prior year, the former Agency received about \$1.7 million in property taxes which was reported in the governmental funds. However, in current and future years, the Successor Agency will account for its revenues in fiduciary funds.
- Investment earnings decreased approximately \$1.3 million due to the rate of return on the City's investments continuing to decline, and investments reporting an unrealized loss in the market value of the portfolio, an adjustment required per GASB 31.

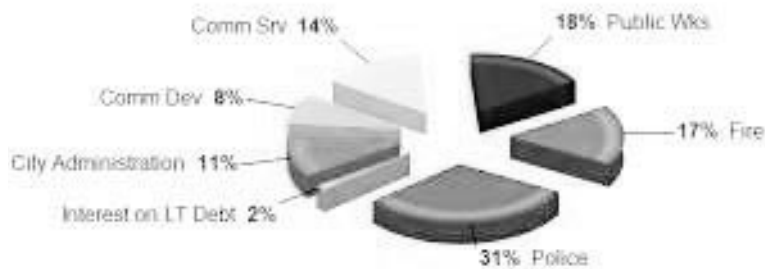
The governmental activities' chart below illustrates operating revenues by source. Sales, property, motor vehicle license, and other taxes are general revenues used to support overall government functions. These sources account for approximately \$70.4 million or 73% of total governmental revenue. Operating and capital grants make up 11% of revenues while charges for services amount to 17% of total governmental revenues.



Expense Highlights

Functional expenses for the year totaled approximately \$97.4 million in the governmental funds, a decrease of \$5.3 from the prior year. Public Safety activities consumed approximately \$46.4 million (47.6%) of the total expenses in the governmental activities. A large portion of public safety costs are funded from general revenues, primarily taxes. Expenses for Public Works totaled \$17.1 million, Parks, Rec & Com Partnerships \$13.9 million, and Community Development \$7.8 million. Administration Expenses (including Finance and Technology, General Government, and Human Resources) and Interest on Long Term Debt, consumed a total of \$12.3 million (13%).

**Governmental Activities
Expenses
(\$97.4 million)**



Business-Type Activities

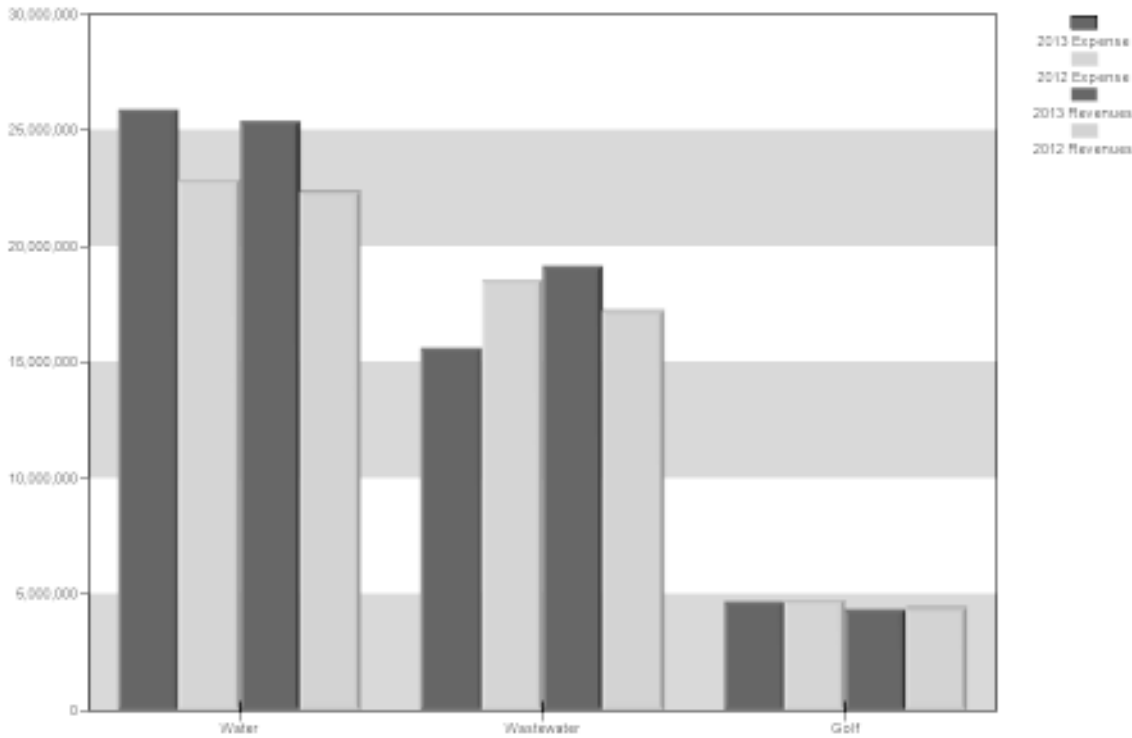
The City's business-type activities realized a \$1.7 million increase in net position.

The City's Water Enterprise is the largest business-type operation, followed by Wastewater with fees for services mainly funding the two utilities. The following chart shows a comparison of program revenues to expenses and to prior year for each of the City's business-type activities.

Revenue Highlights

Total program revenues for the fiscal year ended June 30, 2013, were \$49.3 million, an increase of \$4.8 million from the prior year. The increase was primarily attributable to the following:

**Business-Type Activities
Expenses and Program Revenues
For the Years Ended June 30, 2013 and 2012
(in thousands)**



- Overall, operating revenues showed an increase of \$4.8 million or 10.9% increase from the prior year. A portion of the increase is due to utility service charges increasing approximately \$3.8 million or 9.7% from the prior year, with increases of \$2.2 million in the Water Fund and \$1.5 million in the Wastewater Fund. The increase is primarily the result of 1) increased water usage during a generally warmer and drier year, and 2) higher rates.
- Operating expenses increased approximately \$- million, mostly due to lower contractual services. In the prior year contractual services were higher due to Ventura Water taking measures required by the settlement of a large environmental lawsuit that included legal costs and a comprehensive rate study.

GOVERNMENT FUNDS FINANCIAL ANALYSIS

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

Governmental Funds

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

At June 30, 2013, the City's governmental funds reported a combined ending fund balance of \$75.1 million, a decrease of \$1.5 million in comparison with the prior year. The decrease was mainly due to higher Park and Recreation Capital Project expenditures. Of the total \$75.1 million fund balance, \$13.8 million was nonspendable, \$35.0 million was restricted, \$17.5 million was committed, \$10.2 was assigned, and (\$1.5 million) was unassigned.

The following is a summary of significant changes to fund balance in the major governmental funds.

General Fund

The General Fund is the City's chief operating fund, realizing an increase of \$1.1 million in fund balance with a \$29.4 million total fund balance at June 30, 2013. The increase is due to higher revenues and a one-time transfer in of remaining funds from the Portobello Dredging fund.

Certificates of Participation Debt Obligation Debt Service Fund

Overall, fund balance in this fund increased \$76,391. The fund reported debt service payments of \$3.5 million for the year.

Capital Improvement Capital Projects Fund

The Capital Improvement Capital Projects Fund showed a decrease of \$(0.6) million in fund balance for the fiscal year 2012-2013. This decrease was due to higher capital improvement expenditures in the current year, which were funded from the receipt of grant funds and transfers from other City funds that occurred in the prior year.

Gas Tax Capital Projects Fund

The Gas Tax Capital Projects Fund showed an increase of \$463,366 in fund balance. This increase is mainly due to the timing of grant and tax revenues, offset by the timing of capital and other expenditures in the fund.

Park and Recreation Capital Projects Fund

The Park and Recreation Capital Projects Fund experienced a decrease of \$(856,728) in fund balance for fiscal year 2012-2013. This is due to the timing of revenues and expenditures related to development activity.

Housing and Community Development Block Grant Fund

The Housing and Community Development Block Grant Fund experienced a decrease of approximately \$(2,079) in fund balance for fiscal year 2012-2013. Since this fund accounts for reimbursable capital and other projects, revenues generally equal expenditures unless there is a delay in receiving reimbursements for qualified expenditures.

Proprietary Funds

Unlike governmental funds, proprietary funds use the accrual basis of accounting for financial statement purposes. Accordingly, information reported for the individual fund statements is very similar to that presented as Business-Type Activities in the government-wide statements. Government-wide reporting requires the inclusion of activities of the City's internal service funds related to proprietary fund activities in the Business-Type Activities. Therefore, the following analysis is very similar to that presented for Business-Type Activities.

The net position of the Water, Wastewater and Golf funds were \$90.4 million, \$90.4 million, and \$11.9 million, respectively. Total net position increased \$1.7 million in the year ended June 30, 2013. As previously explained, utility charges were approximately \$3.8 million higher, and contractual services in the Water and Wastewater funds were lower than in the prior year. Net position in the Golf Fund decreased approximately \$1.1 million mostly due to annual depreciation expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund is the main operating fund of the City. Its revenues are primarily derived from taxes and intergovernmental sources, which are used to pay for the traditional services provided by local government - public safety, parks and recreation, community development (building and planning), and public works.

SUMMARY OF GENERAL FUND REVENUES BUDGET AND ACTUAL Fiscal Year Ended June 30, 2013				
	<u>Budgeted Amounts</u>		Actual	Variance from
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Taxes	69,591,946	61,768,818	70,477,090	8,708,272
Licenses and permits	1,823,232	1,823,232	1,589,036	(234,196)
Intergovernmental	1,497,181	11,098,417	2,434,673	(8,663,744)
Charges for services	8,028,049	8,052,677	8,635,910	583,233
Fines and forfeitures	1,595,988	1,595,988	1,396,547	(199,441)
Use of money and property	1,530,887	1,530,887	817,796	(713,091)
Other revenues	<u>4,904,752</u>	<u>10,049,861</u>	<u>3,659,626</u>	<u>(6,390,235)</u>
Total revenues	<u>88,972,035</u>	<u>95,919,880</u>	<u>89,010,678</u>	<u>(6,909,202)</u>
Transfers in	<u>1,939,105</u>	<u>3,547,748</u>	<u>3,491,544</u>	<u>(56,204)</u>
Total other financing sources (uses)	<u>1,939,105</u>	<u>3,547,748</u>	<u>3,491,544</u>	<u>(56,204)</u>
Total Revenues	<u>\$ 90,911,140</u>	<u>\$ 99,467,628</u>	<u>\$ 92,502,222</u>	<u>\$ (6,965,406)</u>

The amended fiscal year 2013 General Fund revenue budget reflects amendments that were approved by the City Council during the year. The most significant amendments included increases to Intergovernmental Revenue pertaining to federal and state grants awarded during the year. As previously explained, the significant variance in Use of Money and Property is due to investments reporting an unrealized loss in the market value of the portfolio, an adjustment required per GASB 31.

Expenditures

SCHEDULE OF EXPENDITURES GENERAL FUND BUDGET AND ACTUAL Fiscal Year Ended June 30, 2013				
	<u>Budgeted Amounts</u>		Actual Amounts	Variance from Final Budget
	Original	Final		
Expenditures:				
Current:				
General government	3,424,366	3,826,969	2,917,692	909,277
Human resources	1,001,014	992,165	826,520	165,645
Finance & technology	6,693,611	6,765,084	6,760,790	4,294
Community development	6,910,514	7,135,981	7,329,489	(193,508)
Parks, Rec & Com Partnerships	12,074,439	12,107,566	11,835,746	271,820
Public safety - Police	29,075,944	30,824,620	30,143,761	680,859
Public safety - Fire	16,888,371	17,014,082	16,822,799	191,283
Public works	8,774,194	9,504,713	8,288,283	1,216,430
Capital outlays	283,130	1,165,570	882,281	283,289
Total expenditures	<u>85,125,583</u>	<u>89,336,750</u>	<u>85,807,361</u>	<u>3,529,389</u>
Transfers out	<u>5,785,557</u>	<u>10,130,878</u>	<u>5,619,866</u>	<u>4,511,012</u>
Total Expenditures	<u>\$ 90,911,140</u>	<u>\$ 99,467,628</u>	<u>\$ 91,427,227</u>	<u>\$ 8,040,401</u>

The amended fiscal year 2013 General Fund expenditure budget reflects amendments approved by the City Council during the year. The amended budget also reflects appropriations carried over from the prior year related to outstanding encumbrances as of June 30, 2012.

Each department except Community Development ended the year within their respective spending authority to varying degrees. The negative variance in Community Development was due to contributions to others such as the Jobs Investment program.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City owns hundreds of million dollars of capital assets that require ongoing maintenance, improvement and renovation. As a result, the City undertakes millions of dollars in capital improvement and construction projects each year.

The capital improvement projects undertaken in those operations in the Governmental Activities category typically include improvements to the City's infrastructure (roads, curbs, storm drains, bridges, sidewalks, gutters, etc.) and improvements to City public facilities, such as parks, restrooms, community facilities, and playgrounds. Starting in 2004, governmental funds have been required to capitalize and report the costs of acquiring or constructing infrastructure assets acquired or constructed after 1982. As of June 30, 2013, infrastructure assets, including streets, totaled \$29.3 million, net of accumulated depreciation. Where information was readily available, or if a value could be reasonably estimated, the City capitalized infrastructure assets acquired or constructed prior to 1982.

Additional information on the City's capital assets can be found in Note 1 and 5 to the financial statements.

CITY OF SAN BUENAVENTURA - Capital Assets (Gross)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 20,208	\$ 19,102	\$ 497	\$ 497	\$ 20,705	\$ 19,599
Water Rights	-	-	1,222	1,222	1,222	1,222
Buildings and improvements	65,098	64,898	70,147	70,147	135,245	135,045
Improvements other than buildings	19,885	19,735	62,139	62,139	82,024	81,874
Machinery and equipment	51,892	48,507	131,101	130,711	182,993	179,218
Infrastructure	101,878	101,878	1,615	1,615	103,493	103,493
Construction in progress	25,183	20,702	48,554	38,621	73,737	59,323
Total	\$ 284,144	\$ 274,822	\$ 315,275	\$ 304,952	\$ 599,419	\$ 579,774

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$342.1 million (net of accumulated depreciation). Capital assets includes land, water rights, buildings and related systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset additions in the current year include vehicle replacements, traffic equipment and systems, building improvements, and water & wastewater system improvements. Depreciation expense in the Governmental and Business-Type activities totaled \$7.1 million and \$8.2 million, respectively.

Long-Term Obligations

At June 30, 2013, the City reported total long-term debt of \$145.4 million. Of this amount, \$84.9 million relates to revenue bonds and other obligations of the City's business activities. Governmental activities account for the balance, which includes certificates of participation, notes payable, self-insurance, and employee benefit obligations.

Summary of Outstanding Issued Debt
Fiscal Year Ended June 30, 2013
(In Thousands)

	Governmental Activities		Business- Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Certificates of Participation	\$ 44,470	\$ 47,275	\$ -	\$ -	\$ 44,470	\$ 47,275
Revenue Bonds	-	-	63,925	42,940	63,925	42,940
Loans	431	514	15,410	16,290	15,841	16,804
Unamortized issuance costs	1,756	1,804	5,520	491	7,276	2,295
Total	\$ 46,657	\$ 49,593	\$ 84,855	\$ 59,721	\$ 131,512	\$ 109,314

The City's debt increased by \$22.2 million during the current fiscal year, mostly due to the Water fund's issuance of bonds that provided \$25 million in proceeds to acquire and construct certain improvements for the City's water system. The bond issuance also refunded the Water Revenue Refunding COPs. Debt activity also includes the issuance of bonds by the Wastewater fund, which refunded the Wastewater Revenue Refunding 2004 COPs.

The City Charter states that the City shall not incur an indebtedness evidenced by general obligation bonds greater than 15% of the total assessed valuation of all real and personal property within the City. The level of debt is significantly below Charter requirements.

Additional information on the City's long-term debt can be found in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Ventura's economy has shown improvement, similar to other cities throughout the region. The General Fund, the City's primary operating fund from which the traditional services associated with local government are provided (police, fire, recreation, engineering, etc.) is particularly affected by economic downturns. Key revenues, such as sales tax, property tax, and utility users' tax revenues, realized significant declines during fiscal years 2008 through 2010. Despite these declines, the City was able to keep General Fund revenues and expenditures in balance through a combination of cuts to spending, labor concessions, and one-time solutions. Fortunately, General Fund revenues are improving, with sales tax and card room tax revenues realizing strong gains starting in fiscal year 2012. The current economic outlook is more favorable than in recent years; however, growth has continued at a very slow pace and has not dispelled the economic uncertainty.

One of the most significant changes to the state and local financial landscape is the recently enacted Public Employees Pension Reform Act ("PEPRA") of 2013, led by the Governor and overwhelmingly supported by the legislature. While PEPRA has no immediate impact to current pension costs, the law will slowly reduce pension costs of virtually all public employers over time as new employees hired after December 31, 2012 will be subject to a more moderate retirement plan. In the meantime, the City of Ventura and all public agencies, still have large underfunded pension liabilities created in large part by the economic recession in recent years and investment losses sustained by the California Public Employees Retirement System (PERS). As a result, PERS recently announced it will be increasing employer retirement contribution rates over a five-year period starting in Fiscal Year 2016 in order to address the unfunded pension liabilities. For some cities, these rate increases will significantly impact the ability to expand existing services or restore services eliminated during the recession.

The City is expecting minor improvements in its overall revenue levels in the FY 2013-14 fiscal year, as well as in FY 2014-15. Sales tax is expected to continue its slow recovery in the two to three percent growth range; Triple Flip property taxes are expected to level off or decline slightly; and property tax is expected to grow at about two percent for the next twelve to twenty four months. In addition, the income derived from Transient Occupancy Tax is expected to grow at annual rate of about three percent through FY 2014-15. The level of taxes, fees, and charges for services (including development-related mitigation fees) will have a bearing on the City's competitive ability to encourage retail, office, residential, and industrial development to locate within the jurisdiction. Since the City places significant emphasis on encouraging economic development with higher paying jobs, a review of City fees was put in place prior to the end of calendar year 2013.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of San Buenaventura's finances for all those with an interest in the government's finances. Questions concerning any of the information contained herein should be addressed to Jay Panzica, Chief Financial Officer, at JPanzica@CityofVentura.net, or Rudolf J. Livingston, CPA, Assistant Chief Financial Officer at RLivingston@CityofVentura.net or P.O. Box 99, Ventura, CA 93002-0099, (805) 654-7812.



COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013



Government-Wide
Financial Statements

City of San Buenaventura
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 76,985,630	\$ 45,847,453	\$ 122,833,083
Restricted cash and investments	5,971,632	-	5,971,632
Accounts receivable, net	856,542	7,686,843	8,543,385
Interest receivable	297,640	-	297,640
Due from others	3,452,082	457,773	3,909,855
Due from other governments	5,808,260	94,236	5,902,496
Internal balances	2,895,850	(2,895,850)	-
Inventory	23,187	-	23,187
Total current assets	96,290,823	51,190,455	147,481,278
Noncurrent assets:			
Restricted cash and investments	-	28,152,145	28,152,145
Loans and notes receivable, net	13,878,363	-	13,878,363
Due from Successor Agency	8,025,904	-	8,025,904
Deferred fees	-	126,868	126,868
Equity interest in SCAT	7,633,802	-	7,633,802
Capital assets			
Non-depreciable	45,390,729	50,273,112	95,663,841
Depreciable, net	97,186,856	149,249,323	246,436,179
Total capital assets	142,577,585	199,522,435	342,100,020
Total noncurrent assets	172,115,654	227,801,448	399,917,102
Total assets	268,406,477	278,991,903	547,398,380
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding	746,153	3,286,888	4,033,041
Total deferred outflows of resources	746,153	3,286,888	4,033,041
LIABILITIES			
Current liabilities:			
Accounts payable	1,955,041	2,520,358	4,475,399
Accrued payroll liabilities	3,130,930	-	3,130,930
Interest payable	660,824	1,455,639	2,116,463
Due to others	361,738	-	361,738
Due to other governments	5,638,367	4,286	5,642,653
Deposits held for others	14,935,031	522,414	15,457,445
Unearned revenue	2,185,090	221,104	2,406,194
Total current liabilities	28,867,021	4,723,801	33,590,822
Noncurrent liabilities:			
Long-term debt - due within one year	7,256,520	2,837,388	10,093,908
Long-term debt - due in more than one year	53,280,559	82,017,691	135,298,250
Total noncurrent liabilities	60,537,079	84,855,079	145,392,158
Total liabilities	89,404,100	89,578,880	178,982,980
NET POSITION			
Net investment in capital assets	89,591,900	114,667,356	204,259,256
Restricted for:			
Capital projects	27,553,496	53,089,208	80,642,704
Debt service	6,512,482	2,575,437	9,087,919
Community development	7,944,896	-	7,944,896
Special projects	1,573,739	-	1,573,739
Total restricted	43,584,613	55,664,645	99,249,258
Unrestricted	46,572,017	22,367,910	68,939,927
Total net position	\$ 179,748,530	\$ 192,699,911	\$ 372,448,441

See Independent Auditors' Report and accompanying notes to the basic financial statements.

City of San Buenaventura
Statement of Activities
For the year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 3,587,971	\$ 4,370	\$ -	\$ -	\$ 4,370
Human resources	818,497	99	-	-	99
Finance and technology	6,289,356	4,305,576	(10,151)	-	4,295,425
Community development	7,824,888	1,405,753	(103,787)	-	1,301,966
Parks, Rec & Com Partnerships	13,858,724	3,107,603	38,872	-	3,146,475
Public safety- police	29,862,122	2,540,624	643,319	-	3,183,943
Public safety- fire	16,529,573	3,082,025	1,194,870	-	4,276,895
Public works	17,051,598	1,816,233	5,752,577	2,722,940	10,291,750
Interest on long-term debt	1,615,215	-	-	-	-
Total governmental activities	97,437,944	16,262,283	7,515,700	2,722,940	26,500,923
Business-type activities:					
Wastewater	15,582,433	19,143,025	-	-	19,143,025
Water	25,876,190	25,373,521	-	-	25,373,521
Golf	4,660,531	4,328,089	-	-	4,328,089
Paramedic services	-	-	-	-	-
Total business-type activities	46,119,154	48,844,635	-	-	48,844,635
Total primary government	\$143,557,098	\$ 65,106,918	\$ 7,515,700	\$ 2,722,940	\$ 75,345,558

General Revenue:

Taxes:

Property taxes
 Utility users taxes
 Transient occupancy taxes
 Franchise taxes
 Other taxes

Total taxes

Intergovernmental Revenues:

Sales taxes - intergov unrestricted
 Motor vehicle license - intergov unrestricted

Total intergovernmental revenues

Investment earnings

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, as restated

Net position - end of year

See Independent Auditors' Report and accompanying notes to the basic financial statements.

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total
\$ (3,583,601)	\$ -	\$ (3,583,601)
(818,398)	-	(818,398)
(1,993,931)	-	(1,993,931)
(6,522,922)	-	(6,522,922)
(10,712,249)	-	(10,712,249)
(26,678,179)	-	(26,678,179)
(12,252,678)	-	(12,252,678)
(6,759,848)	-	(6,759,848)
(1,615,215)	-	(1,615,215)
(70,937,021)	-	(70,937,021)
-	3,560,592	3,560,592
-	(502,669)	(502,669)
-	(332,442)	(332,442)
-	-	-
-	2,725,481	2,725,481
\$ (70,937,021)	\$ 2,725,481	\$(68,211,540)
\$ 28,080,259	\$ -	\$ 28,080,259
8,551,487	-	8,551,487
4,449,554	-	4,449,554
3,978,508	-	3,978,508
3,405,451	-	3,405,451
48,465,259	-	48,465,259
21,892,825	-	21,892,825
56,361	-	56,361
21,949,186	-	21,949,186
(591,869)	491,337	(100,532)
1,533,885	(1,533,885)	-
71,356,461	(1,042,548)	70,313,913
419,440	1,682,933	2,102,373
179,329,090	191,016,978	370,346,068
\$ 179,748,530	\$ 192,699,911	\$372,448,441



COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013



Fund Financial Statements



Governmental Fund
Financial Statements



Governmental Fund Financial Statements

General Fund – The General Fund was established to account for sources and uses of financial resources traditionally associated with governments which are not required to be accounted for in another fund.

Certificates of Participation (COP) Debt Obligation Debt Service Fund – To account for the accumulation of resources and payment of long-term debt principal and interest for COP issued by the Public Facilities Financing Authority.

Capital Improvement Capital Projects Fund – To account for financial resources to be used for purchase or construction of major capital improvements (other than those funded through proprietary or special revenue funds).

Gas Tax Capital Projects Fund – To account for revenue received from the State of California and other sources to be used for street maintenance and improvements only.

Park and Recreation Capital Projects Fund – To account for park and recreation facilities tax revenue to be used for planning, acquisition, improvements or expansion of public parks, playgrounds, or other recreational facilities.

Housing and Community Development Block Grant Capital Projects Fund – To account for the revenue and expenditures related to Federal community development block grants.

Other Governmental Funds – The aggregate of all the non-major governmental funds.

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COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

City of San Buenaventura
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds				
	General Fund	Certificates of Participation Debt Obligation Debt Service	Capital Improvement Capital Projects	Gas Tax Capital Projects	Park and Recreation Capital Projects
ASSETS					
Cash and investments	\$ 28,931,488	\$ -	\$ 2,240,087	\$ 21,717,982	\$ 4,447,944
Restricted cash and investments	-	5,497,075	-	-	-
Accounts receivable, net	591,245	-	-	96,727	-
Interest receivable	297,640	-	-	-	-
Due from other funds	3,662,837	-	72,594	927,500	-
Due from others	3,157,091	-	-	8,826	235,288
Due from other governments	4,644,714	-	21,586	658,798	124,851
Inventory	23,187	-	-	-	-
Loans and notes receivable	1,828,544	-	53,291	204,689	397,159
Due from Successor Agency	5,394,951	-	-	-	-
Total assets	\$ 48,531,697	\$ 5,497,075	\$ 2,387,558	\$ 23,614,522	\$ 5,205,242
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 882,443	\$ -	\$ 163,070	\$ 118,099	\$ -
Due to others	361,738	-	-	-	-
Due to other funds	1,596,413	227,650	-	-	-
Due to other governments	6,436	-	-	-	-
Deposits held for others	14,935,031	-	-	-	-
Unearned revenue	1,166,620	-	74,877	468,659	397,159
Total liabilities	18,948,681	227,650	237,947	586,758	397,159
Deferred inflows of resources					
Unavailable revenues	154,240	-	-	-	124,851
Total deferred inflows of resources	154,240	-	-	-	124,851
Fund balances (deficit)					
Nonspendable	6,277,330	-	-	-	-
Restricted	5,492,160	5,269,425	-	23,027,764	-
Committed	14,025,093	-	-	-	374,135
Assigned	3,634,193	-	2,149,611	-	4,309,097
Unassigned	-	-	-	-	-
Total fund balances (deficit)	29,428,776	5,269,425	2,149,611	23,027,764	4,683,232
Total liabilities and fund balances	\$ 48,531,697	\$ 5,497,075	\$ 2,387,558	\$ 23,614,522	\$ 5,205,242

See Independent Auditors' Report and accompanying notes to the basic financial statements.

Major Funds		
Housing and Community Development Block Grant Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 593,248	\$ 3,301,675	\$ 61,232,424
-	474,557	5,971,632
-	22,054	710,026
-	-	297,640
-	283,758	4,946,689
34,772	7,848	3,443,825
289,851	68,461	5,808,261
-	-	23,187
6,483,569	4,200,713	13,167,965
-	2,630,953	8,025,904
\$ 7,401,440	\$ 10,990,019	\$ 103,627,553

\$ 97,457	\$ 99,289	\$ 1,360,358
-	-	361,738
283,758	1,694,487	3,802,308
5,630,680	-	5,637,116
-	-	14,935,031
6,016	71,760	2,185,091
6,017,911	1,865,536	28,281,642

-	-	279,091
-	-	279,091

667,902	6,831,666	13,776,898
715,627	519,812	35,024,788
-	3,107,057	17,506,285
-	142,570	10,235,471
-	(1,476,622)	(1,476,622)
1,383,529	9,124,483	75,066,820
\$ 7,401,440	\$ 10,990,019	\$ 103,627,553

City of San Buenaventura
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
For the year ended June 30, 2013

Total Fund Balances - Total Governmental Funds **\$ 75,066,820**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Equity interest in SCAT is not a current financial resource and not reported in the Governmental Funds Balance Sheet. 7,633,802

Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in the Governmental Funds Balance Sheet. Except for the internal service funds reported below, the capital assets are adjusted as follows:

Non-depreciable	45,202,375
Depreciable	217,000,010
Accumulated depreciation	<u>(127,848,052)</u>

Total capital assets **134,354,333**

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (660,824)

Unavailable revenue is reported as revenue on the accrual basis in the Government-Wide Statement of Net Position. 279,091

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the:

Information Technology Fund	1,281,710
Fleet Maintenance Fund	10,983,795
Facilities Maintenance Fund	1,559,743
Reproduction Services Fund	312,747
Workers' Compensation Fund	(1,500,369)
Employee Fringe Benefits Fund	(4,397,267)
Risk Management Fund	<u>314,429</u>

Total internal service funds **8,554,788**

Long-term liabilities are not due and payable in the current period. Therefore, they are not reported in the Governmental Funds Balance Sheet. Long-term debt reported in the Internal Service Funds is included in the adjustment above.

Premium on issuance of long-term debt recorded as revenue in governmental funds, but is a liability on the Government-Wide Statement of Net Position.	(1,755,632)
Unamortized loss on defeasance is not recorded in governmental funds, but is recorded as deferred amounts on refunding in the Government-Wide Statement of Net Position.	746,153
Long-term liabilities - due within one year	(3,435,000)
Long-term liabilities - due more than one year	<u>(41,035,000)</u>

Total long-term liabilities **(45,479,479)**

Net Position of Governmental Activities **\$ 179,748,530**

See Independent Auditors' Report and accompanying notes to the basic financial statements.



COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

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

	Major Funds				
	General Fund	Certificates of Participation Debt Obligation Debt Service	Capital Improvement Capital Projects	Gas Tax Capital Projects	Park and Recreation Capital Projects
REVENUES:					
Taxes	\$ 70,477,090	\$ -	\$ 90,214	\$ 623,877	\$ 146,454
Licenses and permits	1,589,036	-	-	-	-
Intergovernmental	2,434,673	-	361,246	4,345,572	-
Charges for services	8,635,910	-	-	-	-
Fines and forfeitures	1,396,547	-	-	-	-
Use of money and property	817,796	4,099	773	27,885	28,943
Other revenue	3,659,626	56,220	6,282	84,107	190,082
Total revenues	89,010,678	60,319	458,515	5,081,441	365,479
EXPENDITURES:					
Current:					
General government	2,917,692	-	-	-	-
Human resources	826,520	-	-	-	-
Finance and technology	6,760,790	-	-	-	-
Community development	7,329,489	-	-	-	-
Parks, Rec & Com Partnerships	11,835,746	-	-	-	261,771
Public safety - police	30,143,761	-	-	-	-
Public safety - fire	16,822,799	-	-	-	-
Public works	8,288,283	-	575,683	2,965,429	-
Capital outlays	882,281	-	1,670,718	1,400,643	1,261,679
Debt service:					
Principal retirement	-	2,320,000	-	-	-
Interest and other charges	-	1,183,805	-	-	-
Total expenditures	85,807,361	3,503,805	2,246,401	4,366,072	1,523,450
REVENUES OVER (UNDER) EXPENDITURES	3,203,317	(3,443,486)	(1,787,886)	715,369	(1,157,971)
OTHER FINANCING SOURCES (USES):					
Transfers in	3,491,544	4,034,980	1,249,123	95,330	451,243
Transfers out	(5,619,866)	(515,103)	(70,558)	(347,333)	(150,000)
Total other financing sources (uses)	(2,128,322)	3,519,877	1,178,565	(252,003)	301,243
Net change in fund balances	1,074,995	76,391	(609,321)	463,366	(856,728)
FUND BALANCES (DEFICIT):					
Beginning of year	28,353,781	5,193,034	2,758,932	22,564,398	5,539,960
End of year	\$ 29,428,776	\$ 5,269,425	\$ 2,149,611	\$ 23,027,764	\$ 4,683,232

See Independent Auditors' Report and accompanying notes to the basic financial statements.

Major Funds		
Housing and Community Development Block Grant Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,032,252	\$ 72,369,887
-	-	1,589,036
817,369	14,946	7,973,806
-	1,164,802	9,800,712
-	-	1,396,547
3,937	511,750	1,395,183
-	8,269	4,004,586
821,306	2,732,019	98,529,757
-	-	2,917,692
-	-	826,520
-	-	6,760,790
587,729	26,100	7,943,318
-	94,246	12,191,763
-	163,756	30,307,517
-	-	16,822,799
-	2,449,525	14,278,920
235,656	-	5,450,977
-	485,000	2,805,000
-	419,231	1,603,036
823,385	3,637,858	101,908,332
(2,079)	(905,839)	(3,378,575)
-	929,092	10,251,312
-	(1,665,281)	(8,368,141)
-	(736,189)	1,883,171
(2,079)	(1,642,028)	(1,495,404)
1,385,608	10,766,511	76,562,224
\$ 1,383,529	\$ 9,124,483	\$ 75,066,820

City of San Buenaventura
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Government-Wide Statement of Activities
For the year ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds **\$ (1,495,404)**

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

Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceed depreciation in the current period.

Capital outlay	\$ 6,183,406	
Depreciation expense	(5,780,813)	402,593

The net loss in the equity interest in SCAT is reported in the Government-Wide Statement of Activities, but not current financial uses. Therefore, the net gain is not reported as revenue in Governmental Funds. is not a current financial resource and not reported in the Governmental Funds Balance Sheet. (162,243)

Governmental funds report the entire proceeds from sale of an asset as revenue because it provides current financial resources. However, the statement of activities reports only the gain (loss) on the sale of assets. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold. (4,950)

Unavailable revenue is reported as revenue on the accrual basis in the Government-Wide Statement of Activities. The following amount represents the change in accrued deferred revenue from the prior year. (1,619,806)

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position. 2,805,000

Amortized loss on defeasance costs are not included in the Governmental Statements, but the expenditures are capitalized and recorded as a deferred asset in the Government-Wide Statement of Net Position. (22,390)

Amortized premium on issuance on long-term debt is not recorded in Governmental Statements, but is a liability and amortized in the Government-Wide Statement of Net Position. 48,480

Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in Governmental Funds. (12,178)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds, The net expense of the internal service funds is reported with governmental activities. 480,338

Change in Net Position of Governmental Activities **\$ 419,440**

See Independent Auditors' Report and accompanying notes to the basic financial statements.



Proprietary Fund
Financial Statements



Proprietary Fund Financial Statements

Wastewater Fund – To account for all wastewater activities and treatment services provided to residents of the City of San Buenaventura, including but not limited to administration, operations, maintenance, laboratory, and debt service.

Water Fund – To account for all water activities and water treatment services provided to residents of the City of San Buenaventura and some residents of the County. Such activities include but are not limited to administration, maintenance, distribution, customer service, production, purification, and debt service.

Golf Fund – To account for revenue and costs related to the operation of two municipal golf courses for use by the general public.

Internal Service Funds – These funds are used to provide goods and services by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

City of San Buenaventura
Statement of Net Position
Proprietary Funds
June 30, 2013

	Major Enterprise Funds		Non-Major Enterprise Fund	Total	Governmental Activities Internal Service Funds
	Wastewater	Water	Golf		
ASSETS					
Current assets:					
Cash and investments	\$ 24,300,567	\$ 21,546,885	\$ -	\$ 45,847,452	\$ 15,753,207
Accounts receivable, net	3,434,107	4,252,735	-	7,686,842	146,514
Due from other funds	-	-	-	-	1,751,469
Due from others	-	-	457,773	457,773	8,257
Due from other governments	94,236	-	-	94,236	-
Notes receivable	-	-	-	-	710,398
Total current assets	27,828,910	25,799,620	457,773	54,086,303	18,369,845
Noncurrent assets:					
Restricted cash and investments	386,209	27,765,936	-	28,152,145	-
Deferred fees	59,268	67,600	-	126,868	-
Capital assets:					
Non-depreciable	30,943,412	18,066,511	1,263,189	50,273,112	188,353
Depreciable, net	51,171,555	84,958,239	13,119,529	149,249,323	8,034,898
Total capital assets	82,114,967	103,024,750	14,382,718	199,522,435	8,223,251
Total noncurrent assets	82,560,444	130,858,286	14,382,718	227,801,448	8,223,251
Total assets	110,389,354	156,657,906	14,840,491	281,887,751	26,593,096
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts on refunding	1,370,127	1,916,761	-	3,286,888	-
Total deferred outflows of resources	1,370,127	1,916,761	-	3,286,888	-
LIABILITIES					
Current liabilities:					
Accounts payable	846,056	1,664,500	9,800	2,520,356	594,681
Accrued payroll liabilities	-	-	-	-	3,130,929
Unearned revenue	153,504	67,600	-	221,104	-
Interest payable	342,973	1,112,666	-	1,455,639	-
Due to other funds	-	-	2,895,850	2,895,850	-
Due to other governments	1,527	438	2,321	4,286	1,251
Deposits held for others	-	522,414	-	522,414	-
Claims and judgments payable	-	-	-	-	3,110,661
Compensated absences payable	-	-	-	-	578,241
Long-term debt - due within one year	946,097	1,891,291	-	2,837,388	84,138
Total current liabilities	2,290,157	5,258,909	2,907,971	10,457,037	7,499,901
Noncurrent liabilities:					
Claims and judgments payable	-	-	-	-	5,293,485
Compensated absences payable	-	-	-	-	4,898,387
Long-term debt - due in more than one year	19,076,203	62,941,488	-	82,017,691	346,535
Total noncurrent liabilities	19,076,203	62,941,488	-	82,017,691	10,538,407
Total liabilities	21,366,360	68,200,397	2,907,971	92,474,728	18,038,308
NET POSITION					
Net investment in capital assets	62,092,667	38,191,971	14,382,718	114,667,356	7,792,578
Restricted for:					
Capital projects	12,763,970	40,325,238	-	53,089,208	-
Debt service	2,069,903	505,534	-	2,575,437	-
Unrestricted	13,466,581	11,351,527	(2,450,198)	22,367,910	762,210
Total net position	\$ 90,393,121	\$ 90,374,270	\$ 11,932,520	\$ 192,699,911	\$ 8,554,788

See Independent Auditors' Report and accompanying notes to the basic financial statements.

City of San Buenaventura
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2013

	Major Enterprise Funds		Non-Major Enterprise Fund	Total	Governmental Activities Internal Service Funds
	Wastewater	Water	Golf		
OPERATING REVENUES:					
Utility service charges	\$ 18,431,481	\$ 24,005,948	\$ -	\$ 42,437,429	\$ -
Golf fee charges	-	-	4,328,089	4,328,089	-
Internal service charges	-	-	-	-	22,451,993
Other operating revenues	711,543	1,369,626	-	2,081,169	1,053,790
Total operating revenues	19,143,024	25,375,574	4,328,089	48,846,687	23,505,783
OPERATING EXPENSES:					
Salaries and benefits	3,933,099	5,480,558	194,936	9,608,593	4,982,845
Contractual services	2,079,384	447,030	3,154,765	5,681,179	2,522,045
Materials and supplies	688,553	2,232,568	19	2,921,140	1,819,894
General and administrative	5,105,970	11,610,929	411,422	17,128,321	2,880,717
Insurance premiums and settlements	-	-	-	-	9,034,065
Depreciation	3,183,870	4,093,805	899,389	8,177,064	1,313,282
Total operating expenses	14,990,876	23,864,890	4,660,531	43,516,297	22,552,848
OPERATING INCOME (LOSS)	4,152,148	1,510,684	(332,442)	5,330,390	952,935
NONOPERATING REVENUES (EXPENSES):					
Investment income	206,284	284,725	329	491,338	28,029
Gain on disposal of assets	-	(2,053)	-	(2,053)	48,561
Interest expense	(591,557)	(2,011,300)	-	(2,602,857)	(199,901)
Total nonoperating revenues (expenses)	(385,273)	(1,728,628)	329	(2,113,572)	(123,311)
Income (loss) before transfers	3,766,875	(217,944)	(332,113)	3,216,818	829,624
Transfers in	251,023	1,391,124	400,157	2,042,304	175,400
Transfers out	(1,718,204)	(688,837)	(1,169,148)	(3,576,189)	(524,686)
Change in net position	2,299,694	484,343	(1,101,104)	1,682,933	480,338
NET POSITION:					
Beginning of year, as restated	88,093,427	89,889,927	13,033,624	191,016,978	8,074,450
End of year	\$ 90,393,121	\$ 90,374,270	\$ 11,932,520	\$ 192,699,911	\$ 8,554,788

See Independent Auditors' Report and accompanying notes to the basic financial statements.

City of San Buenaventura
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2013

	Major Enterprise Funds		Non-Major Enterprise Fund	Total	Governmental Activities
	Wastewater	Water	Golf		Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers/other funds	\$ 19,065,112	\$ 24,840,040	\$ 4,432,254	\$ 48,337,406	\$ 23,056,472
Cash payments to suppliers for goods and services	(6,739,750)	(11,750,002)	(2,731,198)	(21,220,950)	(6,611,759)
Cash payments for interfund services	(1,901,517)	(2,499,193)	(337,301)	(4,738,011)	(572,297)
Cash payments to employees for services	(3,933,098)	(5,480,558)	(194,935)	(9,608,591)	(4,982,843)
Insurance premiums and settlements	-	-	-	-	(14,051,829)
Other operating revenues	-	-	-	-	1,053,789
Net cash provided (used) by operating activities	6,490,747	5,110,287	1,168,820	12,769,854	(2,108,467)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Employee housing loans made	-	-	-	-	(17,620)
Payment of employee housing loans	-	-	-	-	90,766
Transfers to other funds	(1,718,204)	(688,837)	(1,169,148)	(3,576,189)	(524,686)
Transfers from other funds	251,023	1,391,124	400,157	2,042,304	175,400
Net cash provided (used) by noncapital financing activities	(1,467,181)	702,287	(768,991)	(1,533,885)	(276,140)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of capital assets	(3,572,492)	(3,861,608)	(400,157)	(7,834,257)	(1,395,390)
Proceeds from new debt issuance	20,073,031	49,512,794	-	69,585,825	-
Proceeds from sale of assets	-	(2,053)	-	(2,053)	(76,068)
Payment of long-term debt	-	-	-	-	(260,976)
Repayment of state water loan	-	(900,865)	-	(900,865)	-
Repayment of revenue bonds	(21,668,536)	(23,850,907)	-	(45,519,443)	-
Interest paid on debt	(570,455)	(1,165,559)	-	(1,736,014)	(199,902)
Net cash provided(used) by capital and related financing activities	(5,738,452)	19,731,802	(400,157)	13,593,193	(1,932,336)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	206,284	284,725	328	491,337	28,029
Net cash provided by investing activities	206,284	284,725	328	491,337	28,029
Net increase (decrease) in cash and cash equivalents	(508,602)	25,829,101	-	25,320,499	(4,288,914)
CASH AND INVESTMENTS, Beginning of year	25,195,378	23,483,720	-	48,679,098	20,042,121
CASH AND INVESTMENTS, End of year	\$ 24,686,776	\$ 49,312,821	\$ -	\$ 73,999,597	\$ 15,753,207
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 4,152,148	\$ 1,510,684	\$ (332,442)	\$ 5,330,390	\$ 952,935
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	3,183,870	4,093,805	899,389	8,177,064	1,313,282
Changes in assets and liabilities:					
Accounts receivable	(506,013)	(646,562)	-	(1,152,575)	(86,554)
Due from other funds	-	-	216,901	216,901	90,387
Due from other governments	(94,236)	107,915	-	13,679	568,220
Due from others	2,533	3,113	(112,736)	(107,090)	32,426
Deferred charges	425,569	-	-	425,569	-
Accounts payable	(768,101)	35,122	1,054	(731,925)	37,536
Accrued payroll liabilities	-	-	-	-	(3,913,659)
Deferred revenue	94,236	-	-	94,236	-
Due to other funds	-	-	494,333	494,333	-
Due to other governments	741	(203)	2,321	2,859	1,065
Deposits held for others	-	6,413	-	6,413	-
Claims and judgments payable	-	-	-	-	(1,231,605)
Compensated absences payable	-	-	-	-	127,500
Total adjustments	2,338,599	3,599,603	1,501,262	7,439,464	(3,061,402)
Net cash provided (used) by operating activities	\$ 6,490,747	\$ 5,110,287	\$ 1,168,820	\$ 12,769,854	\$ (2,108,467)
Reconciliation of cash to Statement of Net Position					
Cash and investments	\$ 24,300,567	\$ 21,546,885	\$ -	\$ 45,847,452	\$ 15,753,207
Noncurrent restricted cash and investments	386,209	27,765,936	-	28,152,145	-
\$ 24,686,776	\$ 49,312,821	\$ -	\$ 73,999,597	\$ 15,753,207	

See Independent Auditors' Report and accompanying notes to the basic financial statements.



COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013



Fiduciary Fund
Financial Statements



Fiduciary Fund Financial Statements

Redevelopment Successor Agency Private Purpose Trust Fund – To account for the winding down of the former Redevelopment Agency, including disposition of real property held by the Agency and repayment of the Successor Agency's outstanding long-term debt.

Agency Funds:

Property Based Improvement District Fund – To account for the funds held in trust by the City as collected from property assessments to be used for the improvements and maintenance of the Downtown Property Based Improvement District.

Ventura, Oxnard, Camarillo Tourism Business Improvement District Fund (VOCTBID) – To account for the funds held in trust by the City as collected from hotel assessments. VOCTBID is a regional benefit assessment district established to help fund marketing and sales promotional efforts of lodging businesses in the member cities.

City of San Buenaventura
Statement of Net Position
Fiduciary Funds
June 30, 2013

ASSETS	Redevelopment Successor Agency Private Purpose Trust Fund	Agency Funds
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,429,733	\$ 213,065
Interest receivable	56	-
Accounts receivable, net	-	50,631
Due from others	-	111,487
TOTAL CURRENT ASSETS	1,429,789	375,183
NONCURRENT ASSETS:		
Loans and notes receivable	2,000,000	-
Land and buildings held for resale	540,880	-
TOTAL NONCURRENT ASSETS	2,540,880	-
TOTAL ASSETS	3,970,669	\$ 375,183
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	1,804	\$ -
Interest payable	590,167	-
Notes and bonds payable - due within one year	455,000	-
TOTAL CURRENT LIABILITIES	1,046,971	-
LONG-TERM LIABILITIES:		
Deposits held for others	-	375,183
Due to General Fund	5,394,951	-
Due to Successor Housing Agency	1,389,211	-
Due to Public Art	1,241,742	-
Notes and bonds payable - due in more than one year	15,075,000	-
TOTAL LONG-TERM LIABILITIES	23,100,904	375,183
TOTAL LIABILITIES	24,147,875	\$ 375,183
NET POSITION:		
Net position held in trust for private purpose	(20,177,206)	
TOTAL NET POSITION	\$ (20,177,206)	

See Independent Auditors' Report and accompanying notes to the basic financial statements.

City of San Buenaventura
Statement of Changes in Net Position
Fiduciary Funds
For the year ended June 30, 2013

	Redevelopment Successor Agency Private Purpose Trust Fund
	<u>Fund</u>
ADDITIONS:	
Investment and rental	\$ 20,328
RPTTF distributions	<u>1,451,661</u>
TOTAL ADDITIONS	<u>1,471,989</u>
DEDUCTIONS:	
Administrative expenses	209,153
Interest and other charges	<u>868,521</u>
TOTAL DEDUCTIONS	<u>1,077,674</u>
CHANGE IN NET POSITION	<u>394,315</u>
CHANGE IN NET POSITION	394,315
NET POSITION:	
BEGINNING OF YEAR	<u>(20,571,521)</u>
END OF YEAR	<u>\$ (20,177,206)</u>

See Independent Auditors' Report and accompanying notes to the basic financial statements.



Notes to Basic
Financial Statements

City of San Buenaventura
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For the Year Ended June 30, 2013

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City of San Buenaventura

Notes to the Basic Financial Statements

For the Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of San Buenaventura (Ventura), California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Description of the Reporting Entity

The City, incorporated as a town on March 10, 1866, was recognized as a city in the State of California by election on December 4, 1905, and was certified on January 5, 1906. The initial City Charter was adopted January 7, 1932, and was revised most recently on November 7, 1995. The City operates under an elected Council and appointed City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (maintenance services and utilities), community services, and general administrative services.

Per GAAP, these basic financial statements present the City and its component units (entities for which the City is considered to be financially accountable). Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units is combined with data of the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. The following entity is reported as a blended component unit:

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect).

Ventura Public Facilities Financing Authority (Authority) was established by ordinance, pursuant to the City Charter and Constitution of the State of California, as a public body, corporate and politic, acting to facilitate serving the public purposes of the City. The ordinance was adopted on May 28, 1985, and became effective July 1, 1985. The governing body of the Authority is comprised of the consenting members of the City Council. The Authority is empowered to construct, acquire, maintain and improve public facilities and improvements within the City and to sell, lease, exchange, transfer, encumber or otherwise dispose of any interest in property. The Authority's activities presently consist of providing financial assistance to the City through the issuance of certificates of participation and the leasing of assets to the City. At the end of the lease term, all assets revert to the City. The funds of the Authority have been included in the governmental activities of the financial statements.

B. Basis of Accounting and Measurement Focus

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 balance, 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.

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 summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

The 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, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

B. Basis of Accounting and Measurement Focus Continued

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. Grant revenues are recognized when all eligibility requirements have been met.

Certain types of transactions are reported as program revenues for the City in three categories:

- ◆ Charges for services
- ◆ Operating grants and contributions
- ◆ Capital grants and contributions

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

- ◆ Due to/from other funds
- ◆ Advances to/from other funds
- ◆ Transfers in/out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and change in fund balances as presented in these statements to the Net position and change in net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria. The City has also presented certain funds as major funds because the financial position and activities of these funds are significant to the City as a whole. The following is a list of these major funds:

General Fund - The general fund was established to account for sources and uses of financial resources traditionally associated with governments, which are not required to be accounted for in another fund.

Certificates of Participation (COP) Debt Obligation Debt Service Fund - To account for the accumulation of resources and payment of long-term debt principal and interest for COP issues by the Public Facilities Financing Authority.

Capital Improvement Capital Projects Fund - To account for financial resources assigned for the purchase or construction of major capital improvements (other than those funded through proprietary or special revenue funds).

Gas Tax Capital Project Fund - To account for revenue received from the State of California Gas Tax, and other sources to be used for street maintenance and improvements only.

Park and Recreation Capital Project Fund - To account for park and recreation facilities tax and intergovernmental revenue to be used only for planning, acquisition, improvements, or expansion of public parks, playgrounds, or other recreational facilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

B. Basis of Accounting and Measurement Focus Continued

Housing and Community Development Block Grant Capital Projects Fund - To account for the revenue and expenditures related to Federal community development block grants.

All governmental funds are accounted for on a spending or "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.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes, interest, and charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unavailable revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue is removed from the Balance Sheet and revenue is recognized.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major enterprise fund. The following is a list of the proprietary funds:

Wastewater Fund – To account for all wastewater activities and treatment services provided to the City of Ventura, including, but not limited to administration, operations, maintenance, laboratory, and debt service.

Water Fund – To account for all water activities and water treatment services provided to the City of Ventura and some residents of the County. Such activities include but are not limited to administration, maintenance, distribution, customer service, production, purification, and debt service.

Golf Fund – To account for revenue and costs related to the operation of two municipal golf courses for use by the general public. Golf fund is a non-major fund.

Internal Service Funds

A separate column representing internal service funds is also presented in these statements; however, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. The following is a list of the internal service funds:

Information Technology Fund - To account for costs related to the replacement and maintenance of the City's computer infrastructure. Costs are recovered through a monthly user fee charged to City departments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

B. Basis of Accounting and Measurement Focus Continued

Fleet Maintenance Fund - To account for costs related to operations of the central fleet maintenance system which provides vehicles for all City departments. Costs are recovered through a monthly user fee charged to City departments.

Facilities Maintenance Fund - To account for costs related to providing building maintenance services to all City departments. A monthly fee, based on square footage, is charged to City departments to recover these costs.

Digital Publishing Fund - To account for costs related to printing and reproduction of materials by all City departments. Costs are recovered through a monthly fee charged to City departments using the service.

Workers' Compensation Fund - To account for costs and liabilities related to the Workers' Compensation Program. Costs are recovered through a monthly fee based on employee-type charges to City departments.

Employee Fringe Benefits Fund - To account for costs and liabilities related to health, life, dental and disability insurances, retirement costs, taxes, and other miscellaneous benefits paid by the City on behalf of the employees. A bi-weekly charge based on a percentage of gross payroll is charged to City departments to recover these costs.

Risk Management Fund - To account for costs of providing public liability insurance coverage to operating funds. Costs are recovered from those funds that benefit from the insurance coverage.

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 on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents 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. 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.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Net Position. The City's fiduciary funds consist of a private purpose trust fund and agency funds. Private purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are reported using the accrual basis of accounting. The City currently reports four fiduciary funds detailed below:

Private Purpose Trust Fund:

Redevelopment Successor Agency – The Redevelopment Agency was dissolved by state law on January 31, 2013. Upon dissolution, all of the assets and liabilities of the Agency were transferred to the City of Ventura Successor Redevelopment Agency. The Successor Agency is responsible for the disposition of real property and repayment of the former Agency's tax allocation bonds (See Note 20).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

B. Basis of Accounting and Measurement Focus Continued

Agency Funds:

Property Based Improvement District Fund - To account for the funds held in trust by the City as collected from property assessments to be used for the improvements and maintenance of the Downtown Property Based Improvement District.

Ventura Oxnard Camarillo Tourism Business Improvement District Fund - To account for the funds held in trust by the City as collected from hotel assessments. VOCTBID is a benefit assessment district proposed to help fund marketing and sales promotional efforts of lodging businesses.

C. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied, however it is at the City Council's discretion.

D. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. Guaranteed investment contracts are stated at cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents.

E. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects. Cash and investments are also restricted for deposits held for others within the enterprise funds. The restricted cash and investments are separated from unrestricted cash and investments and presented as such.

F. Inventory and Prepaid Items

Inventory is valued at cost using first in, first out method. Inventory in the governmental funds consists of expendable supplies held for future consumption. The cost is recorded as expenditure as inventory items are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

G. Interfund Transactions

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

Advances to other funds, reported in the governmental fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not in spendable form and are not expendable available financial resources.

H. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets, including infrastructure assets, at \$10,000. Gifts or contributions of capital assets are recorded at fair value when received.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and improvements	10 - 76 years
Improvements other than buildings	10 - 75 years
Machinery and equipment	2 - 75 years
Infrastructure	5 - 50 years

The City defines infrastructure as the basic physical assets that allow the City to function. These assets include streets, water purification and distribution systems, sewer collection and treatment systems, park and recreation lands and improvement systems, storm water conveyance systems, and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, streetlights, traffic control devices, etc. These subsystems are not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest incurred during capital asset construction, if any, is capitalized net of any interest earned for the business-type activities and proprietary funds as part of the asset cost. There was no interest capitalized during the fiscal year.

I. Compensated Absences

The City accrues the cost of annual vacation leave as earned for all eligible employees. Employees covered by SEIU Maintenance (A) and General (G) Units receive annual leave in lieu of vacation and sick leave. The City accrues the cost of annual leave as earned. The City accrues the cost of sick leave for all employees following ten (10) years of continuous City service, when employees become eligible for a payout of a portion of the balance of unused sick leave upon separation (resignation or retirement). The amount of payout varies by employee group as follows:

Employees covered by SEIU Supervisory (S) and Professional (Q) Unit agreements shall, after ten years of continuous City service, be eligible to receive an amount equivalent to 25% of their accrued sick leave upon resignation, or retirement from employment or in the case of death to the employee's beneficiary. The maximum sick leave accrual is 480 hours.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

I. Compensated Absences Continued

Employees covered by the Ventura Fire Management Association (VFMA) agreement shall, after ten years of continuous City service, be eligible to receive an amount equivalent to 25% of their accrued sick leave upon resignation, or retirement from employment or in the case of death to the employee's beneficiary. After twenty years of continuous City service, they shall be eligible to receive an amount equivalent to 50% of their accrued sick leave upon resignation, or retirement from employment or in the case of death to the employee's beneficiary. The maximum sick leave accrual is 1,440 hours (2,016 hours when assigned to a 56-hour work week).

Employees in the Executive (E), Management (M), Confidential (C) and Administrative Confidential (U) salary schedules shall, after ten years of continuous City service, be eligible to receive an amount equivalent to 25% of their accrued sick leave upon resignation, or retirement from employment or in the case of death to the employee's beneficiary. Notwithstanding the foregoing, employees in Salary Schedule "E" shall, after twenty years of continuous City service, be eligible to receive an amount equivalent to 50% of their accrued sick leave upon resignation, or retirement from employment or in the case of death to the employee's beneficiary. The maximum accrual is 480 hours.

All police shall, after ten years of continuous City service, be eligible to receive an amount equivalent to 2.5% of their accrued sick leave for each completed year of service and will be received upon resignation, or retirement from employment or in the case of death to the employee's beneficiary. After twenty years of continuous City service, they shall be eligible to receive an amount equivalent to 3% of their accrued sick leave for each completed year of service (not to exceed 75%). This benefit will be received upon resignation, or retirement from employment or in the case of death to the employee's beneficiary. The maximum accrual is 1,440 hours.

All fire (excluding management) shall, after ten years of continuous City service, be eligible to receive an amount equivalent to 25% of their accrued sick leave upon resignation, or retirement from employment or in the case of death to the employee's beneficiary. After twenty years of continuous City service, they shall be eligible to receive an amount equivalent to 50% of their accrued sick leave upon resignation, or retirement from employment or in the case of death to the employee's beneficiary. The maximum accrual is 2,016 hours.

Vacation and sick leave benefits are accrued and recorded in the Employee Fringe Benefits Internal Service Fund. Compensated absences are generally liquidated in the Internal Service Fund.

J. Long-Term Debt

In the government-wide financial statements, long-term debt and other obligations are reported as liabilities in the applicable governmental and business-type activities. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium and discount. Issuance costs are reported as expenses at the time of debt issuance.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

K. Interest Payable

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental and business-type activities. In the fund financial statements, proprietary funds recognize the interest payable when the liability is incurred.

L. Property Taxes

Property taxes are levied based on a fiscal year (July 1 – June 30). The property tax assessments are formally due on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Taxes become a lien on the property effective January 1 of the preceding year.

M. Net Position

The financial statements utilize a net position presentation. Net Position is categorized as follows:

Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This amount consists of constraints placed on net position use imposed by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions. At June 30, 2013, the restricted Net Position balance was \$43,584,613 for governmental activities, of which \$4,252,135 was restricted by enabling legislation.

Unrestricted Net Position – This amount is all Net Position that do not meet the definition of “Net investment in capital assets” or “Restricted Net Position.”

N. Fund Balances

In the fund financial statements, governmental fund balances are classified based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. See Note 10 for further detail on fund balance reporting.

O. Use of Estimates

The preparation of the basic financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

P. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

P. Deferred Outflows/Inflows of Resources Continued

In addition to liabilities, the statement of financial 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.

Q. New Pronouncements

Implemented:

In fiscal year 2103, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, "Elements of Financial Statements" into definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

In fiscal year 2013, the City early implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

Pending Accounting Standards:

GASB has issued the following statement which may impact the City's financial reporting requirement in the future.

- GASB 66 - "Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62", effective for periods beginning after December 15, 2012.
- GASB 67 - "Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25", effective for the fiscal years beginning after June 15, 2013.
- GASB 68 - "Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27", effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - "Government Combinations and Disposals of Government Operations", effective for periods beginning after December 15, 2013.

2. CASH AND INVESTMENTS

A. CASH AND INVESTMENTS

Cash and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Government-Wide Statement of Net Position:	
Cash and investments	\$ 122,833,083
Restricted cash and investments (held by bond trustee):	
Current amount	5,971,632
Noncurrent amount	28,152,145
Fiduciary Fund Statement of Net Position:	
Private Purpose Trust Fund	1,429,733
Agency Funds	213,065
Total cash and investments	<u>\$ 158,599,658</u>

Cash and investments as of June 30, 2013, consist of the following:

Cash on hand	\$ 32,650
Deposits with financial institutions	8,970,151
Investments	149,596,857
Total cash and investments	<u>\$ 158,599,658</u>

2. CASH AND INVESTMENTS Continued

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

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

Authorized Investment Type	Maximum Maturity	Maximum Amt/ Percent of Portfolio*	Maximum Investment in One Issuer
US Treasury Obligations	5 years	N/A	N/A
U.S. Agency Securities	5 years	N/A	N/A
Banker's Acceptances	180 days	20%	5%
Commercial Paper	270 days	15%	5%
Negotiable Certificates of Deposit	5 years	20%	5%
Certificates of Deposit	5 years	N/A	\$250K
Certificates of Deposit Account Registry	5 years	\$5M	\$5M
Repurchase Agreements	92 days	20%	N/A
Medium-Term Notes	5 years	20%	\$5M
Money Market Mutual Funds	N/A	20%	5%
Local Agency Investment Fund	N/A	N/A	\$50M**
State of California or Municipal Debt	N/A	N/A	N/A

* Excluding Amounts held by bond trustee that are not subject to California Government Code restrictions.

**Maximum investment is per component unit.

C. Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Amt/Percent of Portfolio*	Maximum Investment in One Issuer
U.S. Treasury Obligations	30 years	N/A	N/A
Money Market Mutual Funds	N/A	N/A	N/A
Guaranteed Investment Contract	30 years	N/A	N/A
Local Agency Investment Fund	N/A	N/A	N/A

2. CASH AND INVESTMENTS Continued

D. Disclosures Relating to Interest Rate Risk

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

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

Investment Type	City Portfolio Totals	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-59 Months	>60 Months
Federal Agency Securities	\$ 113,654,647	\$ -	\$ -	\$ 113,654,647	\$ -
Local Agency Investment Fund	17,979,450	17,979,450	-	-	-
Medium Term Notes	2,919,170	-	-	2,919,170	-
Medium Term Notes In Default	1,187,500	-	1,187,500	-	-
Money Market Funds	5,080,573	5,080,573	-	-	-
Held by bond trustee:					
Federal Agency Securities	1,809,994	1,809,994	-	-	-
Money Market Funds	6,547,231	6,547,231	-	-	-
Local Agency Investment Fund	418,292	418,292	-	-	-
Total	\$ 149,596,857	\$ 31,835,540	\$ 1,187,500	\$ 116,573,817	\$ -

2. CASH AND INVESTMENTS Continued

E. Disclosures Relating to Credit Risk

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

Investment Type	City Portfolio Totals	Minimum Rating	Ratings as of year-end	
			Aaa/AAA ¹	Not Rated
Federal Agency Securities	\$ 113,654,647	N/A	\$ 113,654,647	\$ -
Local Agency Investment Fund	17,979,450	N/A	-	17,979,450
Medium Term Notes	2,919,170	N/A	2,919,170	-
Medium Term Notes in Default ²	1,187,500	N/A	-	1,187,500
Money Market Funds	5,080,573	N/A	5,080,573	-
Held by bond trustee:				
Federal Agency Securities	1,809,994	N/A	1,809,994	-
Money Market Funds	6,547,231	N/A	6,547,231	-
Local Agency Investment Fund	418,292	N/A	-	418,292
Total	\$ 149,596,857		\$ 130,011,615	\$ 19,585,242

¹ The ratings were with Moody's and S & P as of June 30, 2013.

² On September 14, 2008, Lehman Brothers Holdings Inc. (Lehman) filed a Chapter-11 bankruptcy proceeding to seek relief under the provisions of the United States Bankruptcy Code. The City holds a Lehman \$5M Medium Term Corporate Note, classified as "senior unsecured debt." A policy decision was made to continue to hold the security in the City's third party safekeeping account until such time that the security is either sold or settlement occurs through bankruptcy proceedings or other lawsuits. The City has received \$592K in distributions from the bankruptcy court through June 30, 2013..

F. Concentration of Credit Risk

The City's investment policy contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

Issuer	Investment Type	Reported Amount	Percent of Portfolio
Federal Home Loan Bank	Federal Agency Securities	\$ 27,454,990	19%
Federal Home Loan Mort Corp	Federal Agency Securities	38,497,283	27%
Federal National Mort Assoc.	Federal Agency Securities	47,702,374	34%
		<u>\$ 113,654,647</u>	

There are no limits on the above Federal Agency Securities.

2. CASH AND INVESTMENTS Continued

G. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2013, the City's deposits with financial institutions were covered by Federal Deposit Insurance Corporation insurance limits or were collateralized as required by California law.

H. Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair market value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

3. LOANS AND NOTES RECEIVABLE

At June 30, 2013, loans and notes receivable consisted of the following:

Loan Description	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
City Home	\$ 36,456	\$ -	\$ -	\$ 36,456
Chapel Lane Senior Housing Project	657,500	-	-	657,500
Kids and Family	100,000	-	-	100,000
Business Assistance Program:				
Micro Loan	832,671	248,942	(231,693)	849,920
Code Compliance Assistance	153,510	34,092	(35,253)	152,349
Commercial Rehabilitation Loan	200,205	12,691	(62,800)	150,096
Economic Development Loan	1,551,381	-	(521,254)	1,030,127
City Officials	783,544	17,620	(90,766)	710,398
Homebuyer Assistance Program	22,600	-	-	22,600
Working Artists Community	1,488,557	-	(32,819)	1,455,738
CHFA HELP Program Loan	11,281	-	(2,666)	8,615
Affordable Housing Development:				
Working Artists of Ventura (City)	1,037,384	-	-	1,037,384
Soho Associates LP (City)	450,000	-	-	450,000
Soho Associates LP (Housing)	550,000	-	-	550,000
El Patio LP (City)	408,000	-	-	408,000
El Patio LP (Housing)	363,500	28,550	(50)	392,000
Azahar Place Associates LP (CEDC) (City)	1,300,000	-	-	1,300,000
Azahar Place Associates LP (CEDC) (Housing)	1,700,000	-	-	1,700,000
Homebuyer Assistance Program (City)	614,964	-	(20,000)	594,964
Housing Preservation Program	1,961,007	146,530	(135,291)	1,972,246
CEDC Los Angeles Apartments	-	299,970	-	299,970
Total	\$ 14,222,560	\$ 788,395	\$ (1,132,592)	\$ 13,878,363

A. City Home

The general purpose of the City Home program is to promote neighborhood stabilization, stimulate private reinvestment, and broaden affordable housing opportunities.

The Program is administered by the Housing Authority of Ventura and provides deferred loans, to low-income residents who are first-time homebuyers, for down-payment assistance. The maximum term of the loan is 45 years with interest being charged in the form of equity sharing equal to 50% of the value of the original loan. Provided that the participating owner occupies the property continuously for 45 years, all interest shall be forgiven.

B. Chapel Lane Senior Housing Project

The project includes 38 one and two-bedroom units for senior low and very low-income households. The project has commercial space dedicated to the City's Housing Authority for office use. The maximum term of the loan is 45 years with interest being charged at 3% per annum.

3. LOANS AND NOTES RECEIVABLE Continued

C. Kids and Family

The Community Development Block Grant funded a loan of \$100,000 to Kids & Families Together for acquiring a property for transitional aged youth timing out of foster care. No interest, monthly or annual payments are due on the loan, and so long as Kids & Families Together do not default under the terms of the Agreement, the loan shall be forgiven in full on June 30, 2017.

D. Business Assistance Program

The interest rate will be fixed at the cost of City funds, plus two points. The borrower is responsible for repaying the entire loan, plus interest in a timely manner. The maximum term of the loan will not exceed 10 years. All loan programs must adhere to adopted Design Guidelines and Design Review Requirements where applicable.

There are four components to the Business Assistance Program:

Micro Loan Program - The primary goal of this program is to create jobs and support the growth and success of small businesses in Ventura. This is a flexible program designed for existing and new small businesses. The minimum loan to any business is \$10,000 with a maximum of \$50,000.

Code Compliance Assistance Program - The Code Compliance Assistance Program is to support businesses with building code compliance requirements on existing commercial properties. This program is designed to encourage code compliance and public safety in conjunction with Inspection Services.

Commercial Rehabilitation Loan Program - The Commercial Rehabilitation Loan Program is designed to encourage revitalization and renovation of older commercial districts while promoting physical enhancement of commercial property. The program goal is to foster business growth or retention through improving the physical appearance of qualified buildings. Qualified property owners and businesses may be eligible to receive below market rate loans for façade, construction, or building renovation. This program is targeted to the Downtown Redevelopment Area and the Westside Revitalization Area.

Economic Development Loan Program – The Economic Development Loan Program is designed to encourage and facilitate business growth in Ventura. This growth will increase sales tax revenues for the City and will fund the operations of the City and benefit the Ventura community.

E. City Officials

The City Council established a mortgage assistance program as an important tool to enable key officials and other employees to live in the City. It was also intended to aid the City to recruit highly qualified employees and assist them in obtaining housing in the City. The City is not providing new mortgage assistance loans at this time.

The City has seven loans outstanding for the purpose of mortgage assistance in the purchase of a home. The loans are secured by a deed of trust on the properties.

3. LOANS AND NOTES RECEIVABLE Continued

E. City Officials Continued

The following table summarizes the loan activity:

Date Issued	Original Amount of Loan	Term of Loan	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
2003	\$ 325,000	*	\$ 325,000	\$ -	\$ -	\$ 325,000
2009	474,000	*	317,000	-	(69,500)	247,500
2010	150,000	*	141,544	-	(3,646)	137,898
Total			<u>\$ 783,544</u>	<u>\$ -</u>	<u>\$ (73,146)</u>	<u>\$ 710,398</u>

* The City's share of its equity interest in the Ventura Residences shall be due and payable in full: 1) immediately upon the sale of, or other transfer of title, to the Ventura Residence by Employee; 2) within 120 days of the Employee's termination for any reason whatsoever; 3) within 120 days of the termination of Employee's use of the Ventura Residence as a principal residence, or; 4) in some cases within 10 years of loan issue date. The interest rates vary from 0% for equity sharing agreements to 7.7%.

F. Successor Housing Agency

Homebuyer Assistance Program

The Successor Housing Agency entered into an agreement annually for the Homebuyer Assistance Program. The maximum term of the loan is 45 years with interest being charged in the form of equity sharing equal to 50 percent of the value of the original loan. Provided that the participating owners occupy the property continuously for 45 years, all interest shall be forgiven. The outstanding balance due as of June 30, 2013 was \$22,600.

Working Artists of Ventura

In January 2008, the Successor Housing Agency loaned \$1.5 million in proceeds from a CalHFA HELP loan to the Working Artists of Ventura (WAV) Apartment Partners at 3% simple interest for a term of 30 years (annual payments of \$77,598 commencing May 1, 2010). This loan is to be repaid the earlier of December 1, 2016 or thirty days after the sale or transfer of the last unit per the most recent amendment. The total outstanding due as of June 30, 2013 was \$1,455,738.

CHFA Help Loans

The primary goal of this program is for rental rehabilitation or seismic improvements of multifamily housing units in designated target areas. The City provided a 3% interest rate, fully amortizing loans for property rehabilitation to landlords for 15 to 30 years. Participating landlords agreed to fix maximum rents at fair market value rates established for the HUD Section 8 Program during the term of the HELP loan. Eligible developments must be occupied by a minimum of 51% low-income households as defined by HUD, at the initiation of negotiations between the landlord and the City. The outstanding balance as of June 30, 2013 was \$8,615. The program is no longer active and there is only one remaining loan.

G. Affordable Housing Development

Working Artists of Ventura

The City entered into an Impact Fee Deferral Loan Agreement, during fiscal year 2008, with Working Artists of Ventura (WAV) Apartments Partners (69 apartment and condominium rental housing units restricted to low and very low income households) for planning and permitting fees. The deferred fees are scheduled to be repaid over 55 years beginning in 2010.

3. LOANS AND NOTES RECEIVABLE Continued

G. Affordable Housing Development Continued

Soho Associates LP - The City entered into an agreement on May 1, 2012 to loan \$450,000 of HOME funds disbursed over three fiscal years (fiscal year 2009-10 \$350,000; fiscal year 2010-11 \$50,000 and fiscal year 2011-12 \$50,000) for the acquisition and development on an affordable housing project. The loan is secured by a deed of trust bearing simple interest at 3% commencing on the date of the initial disbursement. The term expires 55 years from the date of recordation of the affordability covenant against the property. Payments are due on May 1st of each year with payment of the outstanding principal and accrued interest equal to the City's pro-rata share of residual receipts.

El Patio LP - The City entered into an agreement on December 17, 2009 to loan \$408,000 in HOME CHDO funds to a limited partnership to assist with the rehabilitation of property. The loan is secured by a deed of trust bearing simple interest at 3% commencing on the date of the initial disbursement. The term expires 55 years from the date of recordation of the affordability covenant against the property. Payments are due on September 30th of each year with payment of the outstanding principal and accrued interest equal to the City's pro-rata share of residual receipts.

Azahar Place Associates LP (CEDC) - The City entered into an Agreement on February 16, 2010 to loan \$1,300,000 of HOME funds to a limited partnership to assist with the acquisition and development of an affordable housing project. Financial assistance is in the form of two loans: 1) Acquisition \$900,000 and 2) Development/Construction \$400,000. Each loan is secured by a separate deed of trust bearing simple interest at 3% commencing on the date of the initial disbursement. The loan was disbursed over the course of three fiscal years (fiscal year 2009-10 \$900,000; fiscal year 2010-11 \$200,000 and fiscal year 2011-12 \$200,000). The term expires 55 years from the completion of construction. Payments are due on September 30th of each year with payment of the outstanding principal and accrued interest equal to the City's pro-rata share of residual receipts.

H. Homebuyer Assistance Program (City)

The City entered into a loan agreement on September 13, 1999. The maximum term of the loan is 45 years with interest being charged in the form of equity sharing equal to 50% of the value of the original loan. Provided that the participating owner occupies the property continuously for 45 years, all interest shall be forgiven.

I. Housing Preservation Program

Under the Housing Preservation Program (HPP), low interest loans are available to qualifying low and moderate-income households to rehabilitate single-family owner-occupied properties. Special hardship grants are also available on an urgent need basis to address immediate threats to health and safety. The terms of these loans range from 15 to 45 years with interest being charged in either the form of equity sharing equal to 50% of the value of the original loan or based on the cost of funds to the City that shall not be less than 3%.

J. CEDC Los Angeles Apartments

The City loaned funds to the Cabrillo Economic Development Corporation (CEDC) in the amount of \$299,970 for the purchase of property and construction of a rental housing project consisting of forty-nine (49) affordable rental units and one (1) manager's unit. The loan was made from Community Development Block Grant (CDBG) funds. The term of the loan is five years, and no interest shall accrue on the loan unless there is a default. So long as the CEDC fulfills the terms of the contract, and continues to operate the affordable housing development, all amounts due and owing shall be forgiven in full by the City at the end of the term of the agreement.

4. INTERFUND TRANSACTIONS

Fund Financial Statements

Due to/from Other Funds

As of June 30, 2013, balances of due to/from other funds were as follows:

Due from other funds	Due to other funds						Total
	General Fund	Capital Projects		Other Governmental Funds	Internal Services		
		Capital Improvement	Gas Tax		Facilities Maintenance	Workers Compensation	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,596,413	\$ 1,596,413
Certificates of Participation Housing and Community Development Block Grant	-	72,594	-	-	155,056	-	227,650
Other Governmental funds	766,987	-	927,500	283,758	-	-	1,694,487
Golf course enterprise fund	2,895,850	-	-	-	-	-	2,895,850
Total	<u>\$ 3,662,837</u>	<u>\$ 72,594</u>	<u>\$ 927,500</u>	<u>\$ 283,758</u>	<u>\$ 155,056</u>	<u>\$ 1,596,413</u>	<u>\$ 6,698,158</u>

General Fund

The loan from the Workers' Compensation Fund was used for capital improvement projects.

Certificates of Participation Debt Obligation Debt Service

Capital improvement construction expenditures incurred this year will be reimbursed next year with debt financing funds.

Housing and Community Development Block Grant

Housing Successor Agency revenues used to fund the Home Match Program.

Other Governmental Funds

The Housing Successor Agency Fund was in a negative cash position at year-end. Advances from the Gas Tax Capital Project Fund were used to fund the startup of the Downtown Parking District Fund. Capital improvement construction expenditures to be reimbursed next year with debt financing funds.

Golf Enterprise Fund

The Golf Enterprise Fund was in a negative cash position at year-end. This covers that negative cash position.

4. INTERFUND TRANSACTIONS Continued

Transfers

Transfers for the year ended June 30, 2013 were as follows:

Transfers In											
Transfers Out	Major Funds										
	General Fund	Certificates of Participation Debt Obligation	Capital Project Funds			Other Governmental Funds	Enterprise			Internal Service Funds	Total
			Capital Improvement	Gas Tax	Park and Recreation		Wastewater	Water	Golf		
General Fund	\$ -	\$ 3,080,832	\$ 990,126	\$ 40,000	\$ 451,243	\$ 929,092	\$ -	\$ -	\$ 128,380	\$ 193	\$ 5,619,866
Debt Service Fund:											
Certificates of Participation-Debt Obligation	15,676	-	72,594	-	-	-	-	-	271,777	155,056	515,103
Capital Projects Funds:											
CIP General	70,558	-	-	-	-	-	-	-	-	-	70,558
Gas Tax	347,333	-	-	-	-	-	-	-	-	-	347,333
Parks and Recreation	150,000	-	-	-	-	-	-	-	-	-	150,000
Other Governmental Funds:	1,478,878	-	186,403	-	-	-	-	-	-	-	1,665,281
Wastewater	298,930	-	-	28,150	-	-	-	1,391,124	-	-	1,718,204
Water	410,634	-	-	27,180	-	-	251,023	-	-	-	688,837
Golf Course	215,000	954,148	-	-	-	-	-	-	-	-	1,169,148
Internal Service Funds:	504,535	-	-	-	-	-	-	-	-	20,151	524,686
Total	<u>\$ 3,491,544</u>	<u>\$ 4,034,980</u>	<u>\$ 1,249,123</u>	<u>\$ 95,330</u>	<u>\$ 451,243</u>	<u>\$ 929,092</u>	<u>\$ 251,023</u>	<u>\$ 1,391,124</u>	<u>\$ 400,157</u>	<u>\$ 175,400</u>	<u>\$ 12,469,016</u>

4. INTERFUND TRANSACTIONS *Continued*

The transfers were for the following purposes:

Transfers, Continued

General Fund transfers to:

Certificates of Participation Debt Obligation	\$ 3,080,832	For payment of the annual debt service requirements.
Capital Improvement	990,126	For reimbursement of funding provided for improvement projects financed through prior debt financing.
Gas Tax	40,000	To provide matching funds for the Bike Safety Education program.
Parks and Recreation	451,243	For reimbursement of funding provided for improvement projects financed through prior debt financing.
Enterprise Funds	128,380	For reimbursement of funding provided for improvement projects financed through prior debt financing for Golf improvements.
Other Governmental Funds	929,092	To cover shortfalls in Law Enforcement, Street Lighting District, and Maintenance Assessment District.
Internal Service Funds	193	For reimbursement of special events permitting.
	<u>\$ 5,619,866</u>	

Certificate of Participation Debt Obligation transfers to:

General Fund	\$ 15,676	For reimbursement of excess transfers recorded for annual debt service requirements.
Capital Improvement	72,594	For reimbursement of funding provided for improvement projects financed through prior debt financing for City Hall capital improvements.
Enterprise Funds	271,777	For reimbursement of funding provided for improvement projects financed through prior debt financing for golf improvements.
Internal Service Funds	155,056	For reimbursement of funding provided for improvement projects financed through prior debt financing for City Hall capital improvements.
	<u>\$ 515,103</u>	

CIP General transfers to:

General Fund	\$ 70,558	For reimbursement of the public safety emergency program.
	<u>\$ 70,558</u>	

Gas Tax transfers to:

General Fund	\$ 347,333	For reimbursement of Gas Tax eligible expenditures for Traffic Safety.
	<u>\$ 347,333</u>	

Park and Recreation transfers to:

General Fund	\$ 150,000	For reimbursement of funding provided for improvement projects financed through prior debt financing.
	<u>\$ 150,000</u>	

4. INTERFUND TRANSACTIONS Continued
Transfers, Continued

Other Governmental Funds transfers to:

General Fund	1,478,878	To close out the Portobello Dredging Capital Projects fund and provide for City overhead expenses for maintenance assessment districts.
Capital Improvement	186,403	For reimbursement of funding provided for improvement projects financed through prior debt financing.
	<u>\$ 1,665,281</u>	

Wastewater transfers to:

General Fund	298,930	Annual Ventura Water right-of-way payment.
Gas Tax	28,150	To provide for Construction in Progress street resurfacing-manhole improvements.
Water	1,391,124	For reimbursement of the Ventura Water administration and billing expenditures shared by Wastewater.
	<u>\$ 1,718,204</u>	

Water transfers to:

General Fund	410,634	For annual Ventura Water right-of-way payment, web services, and storm drain impacts.
Gas Tax	27,180	To provide for Construction in Progress street resurfacing-water valve improvements.
Wastewater	251,023	For reimbursement of funding for costs.
	<u>\$ 688,837</u>	

Golf Course transfers to:

General Fund	\$ 215,000	For annual land lease payment.
Certificates of Participation Debt Obligation	954,148	For payment of the annual debt service requirements.
	<u>\$ 1,169,148</u>	

Internal Service Funds transfers to:

General Fund	504,535	One-time balancing solution.
Internal Service Funds	20,151	For annual payment of shared warehouse services.
	<u>\$ 524,686</u>	

5. CAPITAL ASSETS

A. CAPITAL ASSETS

At June 30, 2013, the City's capital assets consisted of the following:

	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Non-depreciable assets:			
Land	\$ 20,207,668	\$ 497,497	\$ 20,705,165
Water rights	-	1,221,838	1,221,838
Construction in progress	25,183,061	48,553,777	73,736,838
Total non-depreciable assets	<u>45,390,729</u>	<u>50,273,112</u>	<u>95,663,841</u>
Depreciable assets:			
Buildings and improvements	65,098,367	70,147,462	135,245,829
Improvements other than buildings	19,884,624	62,138,897	82,023,521
Machinery and equipment	51,891,701	131,100,669	182,992,370
Infrastructure	101,878,155	1,614,700	103,492,855
Total depreciable assets	<u>238,752,847</u>	<u>265,001,728</u>	<u>503,754,575</u>
Less accumulated depreciation for:			
Buildings and improvements	(30,036,707)	(26,542,245)	(56,578,952)
Improvements other than buildings	(8,231,833)	(35,125,689)	(43,357,522)
Machinery and equipment	(30,694,069)	(53,615,704)	(84,309,773)
Infrastructure	(72,603,382)	(468,767)	(73,072,149)
Total accumulated depreciation	<u>141,565,991</u>	<u>(115,752,405)</u>	<u>257,318,396</u>
Total depreciable assets, net	<u>97,186,856</u>	<u>149,249,323</u>	<u>246,436,179</u>
Total capital assets	<u>\$142,577,585</u>	<u>\$ 199,522,435</u>	<u>\$342,100,020</u>

5. CAPITAL ASSETS Continued

A. CAPITAL ASSETS Continued

The following is a summary of changes in capital assets for governmental activities:

	<u>Balance July 1, 2012</u>	<u>Adjustments (See Note 21)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 19,102,058	\$ -	\$ 1,105,610	\$ -	\$ 20,207,668
Construction in progress	20,701,515	2,128,006	4,056,711	(1,703,171)	25,183,061
Total capital assets, not being depreciated	<u>39,803,573</u>	<u>2,128,006</u>	<u>5,162,321</u>	<u>(1,703,171)</u>	<u>45,390,729</u>
Capital assets, being depreciated:					
Buildings and improvements	64,897,710	-	200,657	-	65,098,367
Improvements other than buildings	19,734,624	-	150,000	-	19,884,624
Machinery and equipment	48,506,618	-	3,941,760	(556,677)	51,891,701
Infrastructure	101,878,155	-	-	-	101,878,155
Total capital assets, being depreciated	<u>235,017,107</u>	<u>-</u>	<u>4,292,417</u>	<u>(556,677)</u>	<u>238,752,847</u>
Less accumulated depreciation for:					
Buildings and improvements	(28,683,617)	-	(1,353,090)	-	(30,036,707)
Improvements other than buildings	(7,534,994)	-	(696,839)	-	(8,231,833)
Machinery and equipment	(28,108,342)	-	(3,089,311)	503,584	(30,694,069)
Infrastructure	(70,648,527)	-	(1,954,855)	-	(72,603,382)
Total accumulated depreciation	<u>(134,975,480)</u>	<u>-</u>	<u>(7,094,095)</u>	<u>503,584</u>	<u>(141,565,991)</u>
Total capital assets, being depreciated, net	100,041,627	-	(2,801,678)	(53,093)	97,186,856
	<u>\$ 139,845,200</u>	<u>\$ 2,128,006</u>	<u>\$ 2,360,643</u>	<u>\$ (1,756,264)</u>	<u>\$ 142,577,585</u>

Depreciation expense in governmental activities for capital assets for the year ended June 30, 2013, is composed of the following:

General Government	\$ 700,884
Finance and Technology	46,721
Community Development	25,418
Parks, Recreation and Community Partnerships	1,618,622
Public Safety	621,092
Public Works	2,768,076
Internal Service Fund depreciation charged to functions	1,313,282
Total depreciation expense	<u>\$ 7,094,095</u>

5. CAPITAL ASSETS Continued

A. CAPITAL ASSETS Continued

The following is a summary of changes in capital assets for business-type activities:

	<u>Balance</u> <u>July 1,2012</u>	<u>Adjustments</u> <u>(See Note 21)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,2013</u>
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 497,497	\$ -	\$ -	\$ -	\$ 497,497
Water rights	1,221,838	-	-	-	1,221,838
Construction in progress	38,620,556	2,510,879	7,422,342	-	48,553,777
Total capital assets, not being depreciated	40,339,891	2,510,879	7,422,342	-	50,273,112
Capital assets, being depreciated:					
Buildings and improvements	70,147,462	-	-	-	70,147,462
Improvements other than buildings	62,138,897	-	-	-	62,138,897
Machinery and equipment	130,711,246	-	411,915	(22,492)	131,100,669
Infrastructure	1,614,700	-	-	-	1,614,700
Total capital assets, being depreciated	264,612,305	-	411,915	(22,492)	265,001,728
Less accumulated depreciation for:					
Buildings and improvements	(25,071,207)	-	(1,471,038)	-	(26,542,245)
Improvements other than buildings	(33,787,608)	-	(1,338,081)	-	(35,125,689)
Machinery and equipment	(48,347,351)	-	(5,288,792)	20,439	(53,615,704)
Infrastructure	(389,614)	-	(79,153)	-	(468,767)
Total accumulated depreciation	107,595,780	-	(8,177,064)	20,439	(115,752,405)
Total capital assets, being depreciated, net	157,016,525	-	(7,765,149)	(2,053)	149,249,323
Total business-type activities	\$ 197,356,416	\$ 2,510,879	\$ (342,807)	\$ (2,053)	\$ 199,522,435

Depreciation expense in business-type activities for capital assets for the year ended June 30, 2013, is composed of the following:

Wastewater	\$ 3,183,870
Water	4,093,805
Golf Course	899,389
Total depreciation expense	\$ 8,177,064

6. LEASES

Capital Leases

The City entered into a lease agreement in December 2007 to finance the acquisition of Computer Aided Dispatch and Mobile System upgrade to the existing system. There are five annual payments due starting on January 1, 2009 and ending on January 1, 2013. At June 30, 2013, there is no outstanding balance.

The asset acquired through this capital lease is as follows:

Asset:	Governmental Activities
Machinery and equipment	\$ 885,961
Less: Accumulated depreciation	(442,980)
Total	<u>\$ 442,981</u>

Decreases to Capital Leases Payable were as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due Within one Year</u>	<u>Amounts Due in More than One Year</u>
Governmental Activities:						
2009 Lease Agreement	\$ 177,192	\$ -	\$ (177,192)	\$ -	\$ -	\$ -

7. STATE WATER PROJECT

On July 6, 1971, the City executed a contract with the Casitas Municipal Water District (CMWD) for the allocation of 50% of CMWD's annual entitlement of available water from the State of California Water Project. In turn, the City assumed the burden of costs, both past and future, in the same proportion. The City's share of existing costs as of the inception of the contract was covered by a contract payable over a 20 year period at 4% interest, and was paid as of June 30, 1990.

The current agreement runs through June 30, 2035, with the right to extend the agreement for continued service. Under this agreement, the City's share of current project costs is paid on an annual basis. This agreement allows the City the option to maintain its right to beneficial use of water from the State Water Line Project. The costs for this project are adjusted semiannually by the State and have been increasing annually. Since most of the costs are associated with operation and maintenance, the City elected to expense these costs. The total cost for the year ended June 30, 2013 was \$1,457,674.

8. LONG-TERM DEBT

A. Governmental Activities Long-Term Debt

The Summary of Changes in Long-Term Debt for Governmental Activities for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
Certificates of Participation - 2007 Series E	\$ 9,245,000	\$ -	\$ (485,000)	\$ 8,760,000	\$ 510,000	\$ 8,250,000
Certificates of Participation-2010 Series F	20,215,000	-	(2,320,000)	17,895,000	2,925,000	14,970,000
Certificates of Participation-2012 Series A	16,450,000	-	-	16,450,000	-	16,450,000
Certificates of Participation-2012 Series B	1,365,000	-	-	1,365,000	-	1,365,000
California Energy Commission 2004 Loan	125,340	-	(13,464)	111,876	14,152	97,724
Energy Resources Conservation & Dev Comm 2012 Loan	389,117	-	(70,320)	318,797	69,986	248,811
Unamortized bond premium	<u>1,804,112</u>	<u>-</u>	<u>(48,480)</u>	<u>1,755,632</u>	<u>48,480</u>	<u>1,707,152</u>
Subtotal long-term debt	49,593,569	-	(2,937,264)	46,656,305	3,567,618	43,088,687
Other noncurrent liabilities:						
Claims and judgments payable (Note 11)	9,635,751	2,206,501	(3,438,106)	8,404,146	3,110,661	5,293,485
Compensated absences payable (Note 11)	<u>5,349,128</u>	<u>3,961,010</u>	<u>(3,833,510)</u>	<u>5,476,628</u>	<u>578,241</u>	<u>4,898,387</u>
Total governmental activities	<u>\$ 64,578,448</u>	<u>\$ 6,167,511</u>	<u>\$ (10,208,880)</u>	<u>\$ 60,537,079</u>	<u>\$ 7,256,520</u>	<u>\$ 53,280,559</u>

Certificates of Participation - 2007 Series E

On December 1, 2007, the City issued \$11,420,000 in Certificates of Participation (Series E) with an average interest rate ranging from 3% to 4.5% to: 1) provide for the advance refunding of the \$7,090,000 City of Ventura Public Facilities Financing Authority 1995 Refunding Lease Revenue Bonds with an interest rate ranging from 4.55% to 5.75% and a principal balance of \$3,455,000, 2) finance the acquisition of unencumbered fee title to a public parking structure, 3) finance certain public park improvements, 4) fund the Reserve Fund, and 5) pay certain costs incurred in connection with the execution and delivery of the Certificates. The Certificates were executed and delivered by and among the Bank of New York Trust Company, N.A. as Trustee. As a result, the 1995 Refunding Lease Revenue Bonds discussed in (1) above are considered to be defeased, and the liability for those bonds has been removed from the financial statements. The total amount outstanding as of June 30, 2013, was \$8,760,000.

The annual debt service requirements for the 2007 Series E Certificates of Participation outstanding at June 30, 2013, were as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 510,000	\$ 395,831	\$ 905,831
2015	215,000	375,432	590,432
2016	225,000	366,831	591,831
2017	235,000	357,831	592,831
2018	245,000	348,431	593,431
2019-2023	1,370,000	1,584,144	2,954,144
2024-2028	1,705,000	1,255,438	2,960,438
2029-2033	2,145,000	815,813	2,960,813
2034-2037	<u>2,110,000</u>	<u>256,500</u>	<u>2,366,500</u>
Total	<u>\$ 8,760,000</u>	<u>\$ 5,756,251</u>	<u>\$ 14,516,251</u>

8. LONG-TERM DEBT Continued

A. Governmental Activities Long-Term Debt Continued

Certificates of Participation - 2010 Series F

On July 28, 2010, the City issued \$20,615,000 in Certificates of Participation, Series F with interest rates ranging from 2% to 4.75% to: 1) provide for the advance refunding and defeasance of a portion of the \$2,925,000 2001 Refunding Certificates of Participation, Series A; a portion of the \$19,765,000 2002 Refunding Certificates of Participation, Series B; a portion of the \$16,345,000 Certificates of Participation, Series C; and a portion of the \$15,930,000 2002 Certificates of Participation, Series D; 2) finance certain public golf course improvements; 3) acquire a reserve fund surety policy; and 4) pay certain costs incurred in connection with the execution and delivery of the Certificates.

The Certificates were executed and delivered by and among the Bank of New York Trust Company, N.A. as Trustee. The refunding resulted in a reduction in total debt service payments by approximately \$1.2 million and an economic gain (difference between the present value of the old and new debt service payments) of \$807,175. The total amount outstanding as of June 30, 2013, was \$17,895,000 .

The annual debt service requirements for the Certificates of Participation, 2010 Series F outstanding at June 30, 2013 were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,925,000	\$ 613,388	\$ 3,538,388
2015	3,005,000	520,625	3,525,625
2016	3,125,000	409,312	3,534,312
2017	3,250,000	281,813	3,531,813
2018	1,155,000	199,487	1,354,487
2019-2023	3,100,000	610,812	3,710,812
2024-2028	700,000	164,812	864,812
2029-2033	635,000	135,731	770,731
Total	\$ 17,895,000	\$ 2,935,980	\$ 20,830,980

Certificates of Participation - 2012 Series A

On May 15, 2012, the City issued \$16,450,000 in Certificates of Participation, Series 2012 A with interest rates ranging from 2.375% to 5.0% to: 1) provide for the advance refunding and defeasance of the remaining 2001 Certificates of Participation, Series C, 2) provide for the advance refunding and defeasance of the remaining 2002 Certificates of Participation, Series D; and 3) pay certain costs incurred in connection with the execution and delivery of the Certificates.

The Certificates were executed and delivered by and among the Bank of New York Trust Company, N.A. as Trustee. The refunding resulted in a reduction in total debt service payments by approximately \$2.4 million and an economic gain (difference between the present value of the old and new debt service payments) of \$2.1 million. The total amount outstanding as of June 30, 2013, was \$16,450,000.

8. LONG-TERM DEBT Continued

A. Governmental Activities Long-Term Debt Continued

The annual debt service requirements for the Certificates of Participation, 2012 Series A outstanding at June 30, 2013 were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 680,469	\$ 680,469
2015	-	680,469	680,469
2016	-	680,469	680,469
2017	-	680,469	680,469
2018	-	680,469	680,469
2019-2023	2,475,000	3,315,000	5,790,000
2024-2028	7,255,000	2,502,950	9,757,950
2029-2032	6,720,000	617,800	7,337,800
Total	\$ 16,450,000	\$ 9,838,095	\$ 26,288,095

Certificates of Participation - 2012 Series B

On May 15, 2012, the City issued \$1,365,000 in Taxable Certificates of Participation, 2012 Series B with an interest rate of 2.75% to: 1) provide for the refunding of a portion of the July 1, 2012 Certificates of Participation, 2010 Series F; and 2) pay certain costs incurred in connection with the execution and delivery of the Certificates. The Certificates were executed and delivered by and among the Bank of New York Trust Company, N.A. as Trustee. The refunding resulted in a slight increase in the deferral of debt service payments at a more favorable rate, thus increasing total debt service payments by approximately \$252,000 and an economic loss (difference between the present value of the old and new debt service payments) of \$5,574. The total amount outstanding as of June 30, 2013, was \$1,365,000.

The annual debt service requirements for the Certificates of Participation, 2012 Series B outstanding at June 30, 2013:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 37,538	\$ 37,538
2015	105,000	37,538	142,538
2016	110,000	34,650	144,650
2017	115,000	31,625	146,625
2018	115,000	28,463	143,463
2019-2020	920,000	32,863	952,863
Total	\$ 1,365,000	\$ 202,677	\$ 1,567,677

8. LONG-TERM DEBT Continued

A. Governmental Activities Long-Term Debt Continued

California Energy Commission - 2004 Loan

On August 5, 2005, a low-interest loan was received from the California Energy Commission to install solar panels at the City's Sanjon Yard facility to reduce energy use. The loan has an interest rate of 3.95% and a 15-year repayment schedule with 30 equal semi-annual payments of \$9,214.

The annual debt service requirements for this loan at June 30, 2013, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 14,152	\$ 4,275	\$ 18,427
2015	14,717	3,711	18,428
2016	15,296	3,132	18,428
2017	15,914	2,514	18,428
2018	16,549	1,879	18,428
2019-2020	35,248	1,752	37,000
Total	\$ 111,876	\$ 17,263	\$ 129,139

California Energy Resources Conservation and Development Commission - 2012 Loan

On August 15, 2011, a low-interest loan was received from the California Energy Commission to make energy-efficient improvements to City Hall to reduce energy use. The loan has an interest rate of 1.00% and a 6-year repayment schedule with 13 equal semi-annual payments of \$36,509.

The annual debt service requirements for this loan at June 30, 2013, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 69,986	\$ 3,031	\$ 73,017
2015	70,688	2,329	73,017
2016	71,393	1,625	73,018
2017	72,112	905	73,017
2018	34,618	182	34,800
Total	\$ 318,797	\$ 8,072	\$ 326,869

8. LONG-TERM DEBT Continued

B. Long-Term Debt of Business-Type Activities and Proprietary Funds

	Balance July 1, 2012	Additions	Deletions	Refunded Debt	Balance June 30, 2013	Classification	
						Amounts Due Within One Year	Amounts Due in More than One Year
Business-Type Activities:							
Wastewater Revenue Refunding COPs	\$ 20,300,000	\$ -	\$ -	\$ (20,300,000)	\$ -	\$ -	\$ -
Wastewater Revenue Refunding, 2012	-	18,475,000	-	-	18,475,000	870,000	17,605,000
Plus unamortized:							
Bond premium	186,217	1,598,031	(50,731)	(186,217)	1,547,300	76,097	1,471,203
Wastewater Revenue Refunding 2012, net	20,486,217	20,073,031	(50,731)	(20,486,217)	20,022,300	946,097	19,076,203
Water Revenue Refunding COPs	22,640,000	-	(630,000)	(22,010,000)	-	-	-
Water Revenue Refunding A & B	-	45,450,000	-	-	45,450,000	855,000	44,595,000
Plus unamortized:							
Bond premium	304,295	4,062,794	(90,284)	(304,295)	3,972,510	135,426	3,837,084
Water Revenue Refunding A & B, net	22,944,295	49,512,794	(720,284)	(22,314,295)	49,422,510	990,426	48,432,084
Safe Drinking Water Loan	16,289,983	-	(879,714)	-	15,410,269	900,865	14,509,404
Total business-type activities	\$ 59,720,495	\$ 69,585,825	\$ (1,650,729)	\$ (42,800,512)	\$ 84,855,079	\$ 2,837,388	\$ 82,017,691

Wastewater Revenue Refunding 2004 Certificates of Participation

Certificates of Participation in the amount of \$25,075,000 were issued on December 16, 2004. The Certificates were issued to provide for: 1) the defeasance of \$7,125,000 million of the City of Ventura 1996 Wastewater Revenue Refunding Bonds; 2) finance improvements to the City's water reclamation facility upgrade; 3) fund a reserve fund for the Certificates; and 4) pay costs in connection with the execution and delivery of the Certificates. The Certificates are due in annual principal installments of \$625,000 to \$1,405,000 through 2034. Interest rates range from 2.5% to 5% and is payable semi-annually on September 1 and March 1. The funding source for the repayment is lease payments made by the City to the Authority.

The Certificates were refunded in November 2012, from the proceeds of the 2012 Series A and Series B Certificates, and there was no outstanding balance as of June 30, 2013.

Wastewater Revenue Refunding, 2012 Series A and B

The City issued Wastewater Certificates of Participation 2012, Series A and Series B in the amount of \$2,560,000 and \$15,915,000, respectively. The taxable Series A Certificates and Series B Certificates were issued to provide funds for: (i) to advance refund all of the outstanding City of San Buenaventura 2004 Wastewater Revenue Certificates of Participation, and (ii) to pay costs incurred in connection with the issuance of the certificates. The Certificates are due in annual principal installments of \$630,000 to \$1,235,000 through 2034. Interest rates range from 0.97% to 5% and is payable semi-annually on January 1 and July 1. The total amount outstanding as of June 30, 2013, was \$18,475,000.

The Wastewater Revenue Refunding Certificates of Participation are secured by an irrevocable pledge of wastewater revenue. The principal and interest remaining on the certificates of participation is \$27,732,263, payable through fiscal year 2034. For the current year, principal and interest payment and pledged revenue (operating income) were \$87,649 and \$ 968,278 , respectively.

8. LONG-TERM DEBT Continued

B. Long-Term Debt of Business-Type Activities and Proprietary Funds Continued

The City completed the advance refunding of the Wastewater Revenue Bonds to reduce its total debt service over the next 22 years by approximately \$4,952,000 and to obtain an economic gain (difference between the present values of the and new debt service payments) of \$1,825,013.

Total Wastewater Revenue Refunding Certificates of Participation outstanding as of June 30, 2013, net of unamortized bond premium were as follows:

Principal outstanding at June 30, 2013	\$ 18,475,000
Add unamortized bond premium	<u>1,547,300</u>
Net Bonds outstanding at June 30, 2013	<u>\$ 20,022,300</u>

The annual debt service requirements for the Wastewater Revenue Refunding Certificates of Participation, 2012 Series A and Series B outstanding at June 30, 2013, were as follows:

Year Ending			
June 30	Principal	Interest	Total
2014	\$ 870,000	\$ 685,947	\$ 1,555,947
2015	885,000	677,508	1,562,508
2016	630,000	667,153	1,297,153
2017	640,000	657,955	1,297,955
2018	660,000	636,450	1,296,450
2019-2023	3,715,000	2,765,250	6,480,250
2024-2028	4,480,000	1,987,950	6,467,950
2029-2033	5,360,000	1,117,300	6,477,300
2034	1,235,000	61,750	1,296,750
Total	<u>\$ 18,475,000</u>	<u>\$ 9,257,263</u>	<u>\$ 27,732,263</u>

Water Revenue Refunding Certificates of Participation

Certificates of Participation in the amount of \$27,410,000 were issued on March 1, 2004. The Certificates were issued to provide for: (1) the defeasance of \$12,615,000 of the City of Ventura 1993 Water Revenue Refunding Bonds; (2) finance improvements to the City's water system; (3) fund a reserve fund for the Certificates; and (4) pay costs in connection with the execution and delivery of the Certificates. The Certificates are due in annual principal installments of \$505,000 to \$1,610,000 through 2034. Interest rates range from 3% to 5% and is payable semi-annually on October 1 and April 1. The funding source for the repayment is revenues from the Water Fund that provide cash for the lease payments to the Authority.

The Certificates were refunded in November 2012, from the proceeds of the 2012 Series A and Series B Certificates, and there was no outstanding balance as of June 30, 2013.

8. LONG-TERM DEBT Continued

B. Long-Term Debt of Business-Type Activities and Proprietary Funds Continued

Water Revenue Bonds 2012, Series A and B

The City issued Water Certificates of Participation Series 2012 A and Series B in the amount of \$11,095,000 and \$34,355,000, respectively. The taxable Series A Certificates and Series B Certificates were issued to provide funds for: (i) to advance refund all of the outstanding City of San Buenaventura 2004 Water Revenue Certificates of Participation, (ii) to acquire and construct certain improvements for the City's Water System, and (iii) to pay costs incurred in connection with the issuance of the certificates. The Certificates are due in annual principal installments of \$855,000 to \$2,825,000 through 2043. Interest rates range from 0.4% to 5% and is payable semi-annually on January 1 and July 1. The total amount outstanding as of June 30, 2013, was \$45,450,000.

The City completed the advance refunding of the 2004 Water Revenue Bonds to reduce its total debt service over the next 22 years by approximately \$2,156,000 and to obtain an economic gain (difference between the present values of the and new debt service payments) of approximately \$1,357,000.

Total Water Revenue Refunding Certificates of Participation outstanding as of June 30, 2013, net of unamortized bond premium and deferral on refunding were as follows:

Principal outstanding at June 30, 2013	\$ 45,450,000
Add unamortized bond premium	<u>3,972,510</u>
Net Bonds outstanding at June 30, 2013	<u>\$ 49,422,510</u>

The annual debt service requirements for the Water Revenue Certificates of Participation, 2012 Series A and Series B outstanding at June 30, 2013, were as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 855,000	\$ 1,855,316	\$ 2,710,316
2015	860,000	1,849,650	2,709,650
2016	865,000	1,840,591	2,705,591
2017	880,000	1,828,491	2,708,491
2018	895,000	1,813,485	2,708,485
2019-2023	4,755,000	8,741,185	13,496,185
2024-2028	5,590,000	7,923,418	13,513,418
2029-2033	7,970,000	6,509,946	14,479,946
2034-2038	9,975,000	4,497,875	14,472,875
2034-2043	<u>12,805,000</u>	<u>1,664,875</u>	<u>14,469,875</u>
Total	<u>\$ 45,450,000</u>	<u>\$ 38,524,832</u>	<u>\$ 83,974,832</u>

8. LONG-TERM DEBT Continued

B. Long-Term Debt of Business-Type Activities and Proprietary Funds Continued

Safe Drinking Water Loan

The City has entered into a funding agreement with the State of California Department of Water Resources for a construction loan under the Safe Drinking Water State Revolving Fund Law of 1997. The loan has an interest rate of 2.39% and a 20-year repayment schedule with 40 equal payments of \$631,910.

Year Ending June 30	Principal	Interest	Total
2014	\$ 900,865	\$ 362,955	\$ 1,263,820
2015	922,524	341,295	1,263,819
2016	944,704	319,115	1,263,819
2017	967,418	296,402	1,263,820
2018	990,677	273,142	1,263,819
2019-2023	5,322,327	996,772	6,319,099
2024-2028	5,361,754	325,437	5,687,191
Total	\$ 15,410,269	\$ 2,915,118	\$ 18,325,387

9. UNEARNED REVENUES

Unearned revenues at June 30, 2013, consist of:

General Fund:	
Business license tax	\$ 313,067
Recreational activities	396,749
Working Artists of Ventura impact fees	310,485
Grants	128,258
Other deposits	18,061
Total General Fund	<u>1,166,620</u>
Capital Projects Funds:	
Capital Improvement:	
Surfer's Point	21,586
Working Artists of Ventura impact fees	53,291
Gas Tax:	
Department of Transportation	263,970
Working Artists of Ventura impact fees	204,689
Parks and Recreation:	
Working Artists of Ventura impact fees	397,159
Housing and Community Development	
Grants	6,016
Total Capital Projects Funds	<u>946,711</u>
Other Governmental Funds:	
Working Artists of Ventura impact fees	<u>71,760</u>
Total Unearned Revenues	<u>\$ 2,185,091</u>

10. FUND BALANCES FOR GOVERNMENTAL FUNDS

Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2013, fund balance for governmental funds consisted of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint. An ordinance is the most binding constraint.

Assigned Fund Balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Council authorized the Chief Financial Officer to assign fund balance amounts to a specific purpose per Administrative Policies and Procedures 14.7- Financial Policies. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund, that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance – the residual classification for the General Fund and includes all amounts not contained in the other classifications. Governmental funds report residual negative balances as unassigned fund balance.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Fund balances at June 30, 2013, for the governmental funds are nonspendable, restricted, committed, assigned, or unassigned for the following purposes:

10. FUND BALANCES FOR GOVERNMENTAL FUNDS Continued

	General Fund	Certificates of Participation Debt Service	Capital Improvement Capital Projects	Gas Tax Capital Projects	Park and Recreation Capital Projects	Housing and Community Development Block Grant Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:								
Nonspendable:								
Long-term Loans and Notes								
Receivable	\$ 859,192	\$ -	\$ -	\$ -	\$ -	\$ 667,902	\$ 4,200,713	\$ 5,727,807
Advance to RDA	5,394,951	-	-	-	-	-	2,630,953	8,025,904
Inventory	23,187	-	-	-	-	-	-	23,187
Subtotal	6,277,330	-	-	-	-	667,902	6,831,666	13,776,898
Restricted for:								
Capital Projects	4,139,224	-	-	7,025,479	-	-	-	11,164,703
Debt Service	-	5,269,425	-	-	-	-	474,513	5,743,938
General Grant & Categorical	1,352,936	-	-	-	-	-	-	1,352,936
Housing & Community Development	-	-	-	-	-	715,627	-	715,627
Public Protection	-	-	-	-	-	-	45,299	45,299
Transportation & Highways	-	-	-	16,002,285	-	-	-	16,002,285
Subtotal	5,492,160	5,269,425	-	23,027,764	-	715,627	519,812	35,024,788
Committed to:								
Capital Projects	-	-	-	-	-	-	315,375	315,375
Contingencies	12,000,000	-	-	-	-	-	-	12,000,000
Jobs Investment	1,634,402	-	-	-	-	-	-	1,634,402
Park and Recreation	-	-	-	-	374,135	-	-	374,135
Public Art	-	-	-	-	-	-	1,354,093	1,354,093
Public Ways and Facilities	-	-	-	-	-	-	1,437,589	1,437,589
Revenue Enhancement	390,691	-	-	-	-	-	-	390,691
Subtotal	14,025,093	-	-	-	374,135	-	3,107,057	17,506,285
Assigned to:								
Building & Safety	139,008	-	-	-	-	-	-	139,008
Capital Projects	348,496	-	2,149,611	-	-	-	-	2,498,107
Code Compliance Loans	95,242	-	-	-	-	-	-	95,242
Downtown Commercial Rehabilitation	693,638	-	-	-	-	-	-	693,638
Housing Preservation	440,795	-	-	-	-	-	-	440,795
Other Miscellaneous	101,625	-	-	-	-	-	-	101,625
Park and Recreation	23,000	-	-	-	4,309,097	-	-	4,332,097
Public Protection	446,153	-	-	-	-	-	142,570	588,723
Portobello Assessment	1,346,236	-	-	-	-	-	-	1,346,236
Subtotal	3,634,193	-	2,149,611	-	4,309,097	-	142,570	10,235,471
Unassigned:	-	-	-	-	-	-	(1,476,622)	(1,476,622)
Total fund balances	\$ 29,428,776	\$ 5,269,425	\$ 2,149,611	\$ 23,027,764	\$ 4,683,232	\$ 1,383,529	\$ 9,124,483	\$ 75,066,820

11. SELF-INSURANCE ACCRUED LIABILITIES

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for the first \$1,000,000 in loss for each workers' compensation claim and the first \$1,000,000 for each general liability claim and up to \$25,000 for property damage claims. The City accounts for and finances its self-insured risks of loss in the Workers' Compensation Fund and Public Liability Fund. Excess insurance is purchased from commercial carriers for each workers' compensation and general liability claim losses in excess of the self-insured retention levels.

The outstanding claim liabilities in each of the self-insurance internal service funds are based on independent claims evaluation and also the results of separate actuarial studies and include amounts for claims incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. General and workers' compensation liabilities are carried at an actuarially determined rate. It is the City's practice to obtain full actuarial studies biannually for general liability and workers' compensation coverage. Premiums are charged by the internal service self-insurance funds using various allocation methods that include actual costs, trends in claims experience, claim severity and claims frequency. Revenues of the internal service self-insurance funds are expended to provide adequate resources to allay program administrative costs, preventative measures and to meet liabilities as they become due. Claims and judgments are generally liquidated by the internal service funds.

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

The aggregate change in the balance of claims liabilities for the internal service self-insurance funds were as follows:

	June 30	
	2013	2012
Unpaid claims, beginning of year	\$ 9,635,751	\$ 8,739,503
Incurred claims and changes in estimates	2,206,501	4,109,445
Claim payments	<u>(3,438,106)</u>	<u>(3,213,197)</u>
Unpaid claims, end of year	<u>\$ 8,404,146</u>	<u>\$ 9,635,751</u>
Current portion	\$ 3,110,661	\$ 2,918,664
Noncurrent portion	<u>5,293,485</u>	<u>6,717,087</u>
Total claims and judgments payable	<u>\$ 8,404,146</u>	<u>\$ 9,635,751</u>

11. SELF-INSURANCE ACCRUED LIABILITIES Continued

At June 30, 2013, total estimated claims payable were as follows:

General Liability	\$ 692,628
Workers' Compensation	7,711,518
Total	<u><u>\$ 8,404,146</u></u>

12. PENSION PLANS

California Public Employees' Retirement (PERS)

Plan Description - The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Retirement Program - Miscellaneous

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	21 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3% and an annual production growth of 0.25%

Retirement Program - Safety

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative charges)
Projected Salary Increases	3.55% to 13.15% depending on Age, Service, and type of employment
Inflation	3%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3% and an annual production growth of 0.25%

12. PENSION PLANS Continued

Funding Policy - Active members are required by State statute to contribute 7% of their annual salary if a Miscellaneous member, and 9% if a Safety member. The employees contribute 4.5% of their required contribution and the City pays the remaining required employee contributions for all Miscellaneous employees and Safety employees in the Fire, Police, Police Management and for the Fire Chief and Police Chief (Fire Management Unit employees pay their own 9%). The City's employer required contributions rate for Safety employees was 37.878% and Miscellaneous was 13.113% for the fiscal year.

Annual Pension Cost - Required contributions were determined as part of the June 30, 2010, actuarial valuation using the factors in the table above. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payrolls on a closed basis. These assumptions are the same that were used in computing the schedule of funding progress below in 2010.

THREE-YEAR TREND INFORMATION FOR PERS CONTRIBUTIONS

Fiscal Year	Annual Pension Cost (APC)	Prior Year NPO Paid	Total APC Contributed	% APC Contributed	Net Pension Obligation
Miscellaneous					
6/30/2011	\$ 2,736,548	\$ 121,107	\$ 2,857,655	104.4 %	\$ -
6/30/2012	5,527,780	-	4,129,709	74.7 %	1,398,071 (a)
6/30/2013	5,659,892	1,398,071	7,057,963	124.7 %	-
Safety					
6/30/2011	\$ 6,032,923	\$ 266,988	\$ 6,299,911	104.4 %	\$ -
6/30/2012	9,115,490	-	6,354,762	69.7 %	2,760,728 (a)
6/30/2013	9,538,744	2,760,728	12,299,472	128.9 %	-

(a) Due to technical problems with the new CalPERS software and interfaces to the City's financial system, the City had a Net Pension Obligation at June 30, 2012. The balance due to CalPERS was paid in August 2012.

A schedule of funding progress is presented below:

	Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Underfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Underfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
Miscellaneous Employees Group	6/30/2012	\$ 188,864,728	\$ 213,214,115	\$ 24,349,387	88.6%	\$ 27,721,786	87.8 %
Safety Employees Group	6/30/2012	\$ 207,466,811	\$ 290,577,006	\$ 83,110,195	71.4%	\$ 19,636,890	423.2 %

The required schedule of funding progress immediately following the Notes to the basic Financial Statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

13. JOINT VENTURE TRANSACTIONS

South Coast Area Transit

The City is a participant in a joint venture agreement with the cities of Port Hueneme, Ojai, Oxnard, and the County of Ventura for investment in a public bus transportation system, South Coast Area Transit (SCAT). As of June 30, 2013, the City held a 30.2% interest in SCAT based upon the number of service miles in the City. The City's net equity in SCAT, accounted for under the equity method, was \$7,633,802 or 39.32% at June 30, 2013. The City's share of SCAT's net operating loss was \$883,371 for the fiscal year ended June 30, 2013, and the City's share of SCAT's capital grants was \$721,128 resulting in a net \$162,243 decrease in equity in fiscal year 2013. Complete separate financial statements are available from the SCAT office at 301 East Third Street, Oxnard, CA 93030.

14. COMMITMENTS AND CONTINGENCIES

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that there are no cases that could result in a material adverse financial impact on the City. City management believes that the City's insurance programs are sufficient to cover any potential losses if an unfavorable outcome materializes from any case.

The City had the following commitments outstanding at June 30, 2013:

<u>Fund</u>	<u>Amount</u>
General	\$ 3,816,738
Capital Improvement Capital Projects	1,129,446
Gas Tax Capital Projects	2,929,869
Park and Recreation Capital Projects	64,437
Housing and Community Development Block Grant Capital Projects	151,798
Other Governmental Funds	52,184
Total	\$ 8,144,472

15. JOBS INVESTMENT FUND

During fiscal year 2007-08, the City entered into an agreement with DFJ Frontier Fund as a limited liability partner to invest a total of \$3 million in high-tech, start-up companies throughout the state of California, excluding Silicon Valley. The purpose of this venture capital arrangement is to promote economic growth within the State. When these start-up companies sell after maturing, investors will receive a percentage of the equity based upon their investment. Between fiscal year 2008 and 2009, the City expended \$2,550,000 of the \$3 million set-aside for this purpose. The City has treated this as an expenditure rather than an investment.

In addition, the City set aside \$1.6 million for the Ventura Jobs Coinvestment Account with DFJ Frontier Fund to invest in high-tech, start-up companies within the City of Ventura. DFJ Frontier has agreed to match the City's contributions in funding these companies. The City has expended \$1,132,000 of the \$1.6 million set aside for this purpose. The City has treated this as an expenditure rather than an investment.

Finally, \$682,000 has been expended to establish and provide start-up funding for the Ventura Technology Center incubator. The City displays the money set-aside for the Jobs Investment Fund as committed fund balance within the General Fund (see Note 10).

16. DEFERRED FEES

Due to the economic crisis in 2008, the City entered into an Impact Fee Deferral Loan Agreement, during fiscal year 2008, with Working Artists of Ventura (WAV) Apartments Partners (69 apartment and condominium rental housing units restricted to low and very low income households) to defer \$1,581,858 in planning and permitting fees. Of the amount initially deferred, \$1,311,165 was for the apartments and \$270,693 was for the condominiums.

The deferred fees are scheduled to be repaid over 55 years beginning in 2010. Because of the long-term repayment schedule with WAV and the economic crisis, no receivable had been recorded in the prior years. The WAV is now paying the apartment portion of the deferred charges and, as such, a receivable for the apartment portion has been recorded with a balance of \$1,164,252 as of June 30, 2013. Due to the time it has taken the real estate market to recover, the City granted WAV an extension for the sale of the market-rate condominiums until 2015, or sooner if WAV so decides. Once the condominiums begin to sell, a receivable for the condominium portion will be recorded.

17. DEFICIT FUND BALANCES AND NET POSITION

Below are plans to eliminate deficit fund balances and Net position:

Downtown Parking District

The deficit of \$868,664 includes substantial initial start up costs and capital expenditures, and these costs will be covered by future anticipated revenues.

Street Lighting District

The deficit of \$51,720 will be covered by transfers from the General fund.

Workers' Compensation

The rate of collections for this fund is reviewed and adjusted annually during the budget development. This process will be used to increase rates over time in order to cover the deficit of \$1,500,369 in this fund.

Employee Fringe Benefits

The deficit of \$4,397,267 in this fund is due to the long-term compensated absences balance of \$4,898,387. This long-term liability is not funded due to: 1) the expectation that much of the compensated absences will be used by employees throughout their employment with the City, and 2) the City does not anticipate a significant separation payout to employees in any given year.

18. RELATED ORGANIZATIONS

The Housing Authority of the City of Ventura's (Housing Authority) Board of Commissioners is appointed by the Mayor, while the Ventura Port District's Board of Commissioners is appointed by the City Council. However, these entities do not qualify as component units of the City pursuant to GASB Statements No. 14 and 39 because the City cannot impose its will on these entities and there is no potential for these entities to provide specific financial benefits to, or impose specific financial burdens on, the City. As a result, the Housing Authority and the Ventura Port District are considered as related organizations of the City.

18. RELATED ORGANIZATIONS Continued

Due to the economic crisis in 2008, the City entered into an Impact Fee Deferral Loan Agreement, during fiscal year 2008, with Working Artists of Ventura (WAV) Apartments Partners (69 apartment and condominium rental housing units restricted to low and very low income households) to defer \$1,581,858 in planning and permitting fees. Of the amount initially deferred, \$1,311,165 was for the apartments and \$270,693 was for the condominiums.

The deferred fees are scheduled to be repaid over 55 years beginning in 2010. Because of the long-term repayment schedule with WAV and the economic crisis, no receivable had been recorded in the prior years. The WAV project is now paying the apartment portion of the deferred charges; however, the condominium portion is still on hold. As such, a receivable for the apartment portion has been recorded. The balance as of June 30, 2012 is \$1,164,252.

19. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

20. SUCCESSOR AGENCY DISCLOSURES

The assets and liabilities of the former Redevelopment Agency were transferred to the Successor Agency to the City of Ventura Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosure related to advances receivable, capital assets and long term liabilities are as follows:

The advances between the former Redevelopment Agency and the City were established through a cooperation agreement, first approved in 1980, describing the operation support provided to the Agency, and the terms and conditions for repayment of City loans or advances. In June 1992 and May 1997, a restated and amended cooperation agreement was adopted for the purpose of restructuring the financial aspects of the relationship. In 2004, an amended cooperation agreement was adopted to establish a

20. SUCCESSOR AGENCY DISCLOSURES Continued

predictable revenue stream into the General Fund and provide for accumulation of project funds for the Agency. In 2011 , a second amended and restated cooperation agreement was adopted to update the status of the amounts paid to the City and the amount of existing indebtedness of the Agency owed to the City.

The 2011 amended agreement called for: 1) the Agency to reimburse the City with interest payments accruing at 5% on the total amount of principal owed by the Agency to the City beginning July 1, 2010; 2) the Agency to reimburse the City with principal installments of \$562,364 from May 15, 2011 through May 15, 2015; and 3) in the event there is insufficient tax increment revenue to make a debt payment, the Agency may request to defer that portion that cannot be paid in the current year to an upcoming year. Any request shall be presented to City Council at a regular meeting, on or before June 30 of that year.

The state law dissolving the Redevelopment Agency precluded the Agency or the Successor Agency from repaying loans that were previously made to the City under the aforementioned agreements. A subsequent trailer bill (AB 1484) allowed repayment of the loans under certain conditions, and then, only 80% of the loan balance may be repaid to the City with the remaining 20% being paid to the Redevelopment Successor Agency Housing Fund. The provisions of AB 1X26 and AB 1484 are currently being challenged in court by several municipalities throughout the state.

The City has entered into a cooperation agreement with the Successor Agency to loan funds to the Successor Agency, on an as-needed basis, through a line of credit as described in the agreement. Currently, the City supports the Successor Agency by making advances for administrative expenses and debt repayment and has classified the payments as nonspendable advances to the RDA in the City’s General Fund. The outstanding balance at June 30, 2013, was \$5,394,951.

The City’s Public Art Fund on January 26, 2008 loaned the Agency \$1,000,000 at 5% compound interest for a term of 2 years for the WAV project. In 2011, a second amendment to the promissory note was adopted to modify and extend the terms for repayment of the loan. The loan was extended for a term that expires on the earlier of (a) December 1, 2016, or (b) thirty (30) days after the last unit in the project is sold. The loan shall accrue simple interest at the rate of 3% per annum commencing on the date of disbursement with the exception of payment in default according to Section 7 of the original agreement. The outstanding balance at June 30, 2013, was \$1,241,742.

In 2009, the State of California required the former Redevelopment Agency to make certain payments to its county Supplemental Educational Revenue Augmentation Fund (SERAF). In fiscal year 2009-10 the amount paid was \$1,153,029 and for fiscal year 2010-11 the amount paid was \$236,182. At the time payments were due, the Agency was unable to make its full SERAF payments, and therefore borrowed the amounts from the Agency’s Low and Moderate Income Housing Fund. As a result of the California Supreme Court decision to eliminate redevelopment agencies as of February 1, 2012, the Successor Agency is now responsible for repayment of the loan.

Capital Assets - The Successor Agency holds no capital assets.

Long Term Liabilities - Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance			Classification		
	July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year	Amounts Due in More than One Year
Fiduciary Funds:						
CalHFA HELP Loan - 2008	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000
Tax Allocation Bonds - 2003	6,000,000	-	(285,000)	5,715,000	290,000	5,425,000
Tax Allocation Bonds - 2008	8,405,000	-	(90,000)	8,315,000	165,000	8,150,000
Total Fiduciary Funds	\$ 15,905,000	\$ -	\$ (375,000)	\$ 15,530,000	\$ 455,000	\$ 15,075,000

20. SUCCESSOR AGENCY DISCLOSURES Continued

CalHFA A HELP Loan - 2008

The Dissolved Agency entered into a loan agreement with the California Housing Finance Agency (CALHFA) on December 21, 2007 to borrow \$1.5 million at a 3.5% interest rate for a term of 10 years for the WAV project. Repayment is due, with simple interest, December 31, 2017. The CalHFA loan was a special obligation of the Dissolved Agency. The total amount outstanding as of June 30, 2013, was \$1.5 million.

Tax Allocation Bonds - 2003

Tax Allocation Bonds (TABs) in the amount of \$8,000,000 were issued by the Dissolved Agency on June 1, 2003. The bonds were issued to provide funds to: 1) repay certain advances made by the City to the Agency; 2) fund a reserve account for the bonds; and 3) pay costs of issuance of the bonds. The bonds are due in annual principal installments of \$205,000 to \$495,000 through 2028. Interest rates range from 2% to 4.25% and interest is payable semi-annually on February 1 and August 1. The funding source for the repayment is tax increment revenue. The total amount outstanding as of June 30, 2013, was \$ 5,715,000 .

The annual debt service requirements for the 2003 Tax Allocation Bonds outstanding at June 30, 2013, were as follows:

Year Ending			
June 30	Principal	Interest	Total
2014	\$ 290,000	\$ 221,070	\$ 511,070
2015	300,000	211,295	511,295
2016	310,000	200,807	510,807
2017	320,000	189,622	509,622
2018	335,000	177,791	512,791
2019-2023	1,875,000	679,991	2,554,991
2024-2028	2,285,000	250,382	2,535,382
Total	\$ 5,715,000	\$ 1,930,958	\$ 7,645,958

20. SUCCESSOR AGENCY DISCLOSURES Continued

The 2003 TABs were special obligations of the Dissolved Agency, which are secured by an irrevocable pledge of tax increment revenues payable to the Agency. The principal and interest remaining on the bonds is \$7,645,958, payable through August 2028. For the current year, principal and interest payments totaled \$515,058.

Tax Allocation Bonds - 2008

Tax Allocation Bonds in the amount of \$8,785,000 were issued by the Dissolved Agency on December 18, 2008. The bonds were issued to provide funds to 1) repay certain advances made by the City to the Agency; 2) fund a reserve account for the bonds; and 3) pay costs of issuance of the bonds. The bonds are due in annual principal installments of \$35,000 to \$695,000 through 2039. Interest rates range from 3% to 8% and is payable semi-annually on February 1 and August 1. The funding source for the repayment is tax increment revenue. The total amount outstanding as of June 30, 2013, was \$8,315,000.

The 2008 TABs were special obligations of the Dissolved Agency, which are secured by an irrevocable pledge of tax revenues payable to the Agency. The principal and interest remaining on the bonds is \$17,133,641, payable through August 2039. For the current year, principal and interest payments totaled \$702,931.

Year Ending	Principal	Interest	Total
June 30			
2014	\$ 165,000	\$ 606,669	\$ 771,669
2015	225,000	596,637	821,637
2016	265,000	583,278	848,278
2017	315,000	566,572	881,572
2018	375,000	545,600	920,600
2019-2023	1,650,000	2,371,017	4,021,017
2024-2028	1,420,000	1,823,337	3,243,337
2029-2033	1,695,000	1,156,931	2,851,931
2034-2038	1,765,000	551,000	2,316,000
2039-2042	440,000	17,600	457,600
Total	\$ 8,315,000	\$ 8,818,641	\$ 17,133,641

21. RESTATEMENT OF BEGINNING NET POSITION

The City did not properly capitalize costs to Construction in Progress in prior years, which caused for Capital Assets to be restated by \$4,638,886 as of July 1, 2012. This resulted in Net Position for governmental activities and business-type activities to be increased by \$2,128,006 and \$2,510,879, respectively.



Required Supplementary
Information

City of San Buenaventura

Required Supplemental Information

For the Year Ended June 30, 2013

1. BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective use of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget serves the fiscal period July 1 to June 30 and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees, and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning and controls that permit the evaluation and adjustment of the City's performance.

The City prepares a one-year budget. The annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General, special revenue, and debt service funds. All annual appropriations expire at the end of the year. Capital projects funds adopt project-length plans.

The Finance and Technology Department, working with all operating departments and the City Manager, develops a preliminary budget. On or before May 1 each year, the City Manager transmits the proposed budget to the City Council. The proposed budget includes both the sources and types of funds for the proposed expenditures. The City Council conducts public hearings on the proposed budget prior to June 30. On or before July 1, the budget is adopted and enacted by the City Council.

The appropriated budget is prepared by fund, department and division. City department heads may make transfers of appropriations within their department. All transfers between departments require approval of the City Council. The legal level of budgetary control is at the department level for the General Fund and at the fund level for all other governmental funds. Appropriation revisions made during the year ended June 30, 2013, were not significant.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities. The commitments will be re-appropriated and honored in the subsequent year.

City of San Buenaventura
Required Supplemental Information
For the Year Ended June 30, 2013

1. BUDGETARY INFORMATION Continued

Following are the budget comparison schedules for the General Fund and all major special revenue funds.

Budget Comparison Schedule, General Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1	\$ 28,353,781	\$ 28,353,781	\$ 28,353,781	\$ -
Resources (inflows):				
Current:				
Taxes	69,591,946	61,768,818	70,477,090	8,708,272
Licenses and permits	1,823,232	1,823,232	1,589,036	(234,196)
Intergovernmental	1,497,181	11,098,417	2,434,673	(8,663,744)
Charges for services	8,028,049	8,052,677	8,635,910	583,233
Fines and forfeitures	1,595,988	1,595,988	1,396,547	(199,441)
Use of money and property	1,530,887	1,530,887	817,796	(713,091)
Other revenue	4,904,752	10,049,861	3,659,626	(6,390,235)
Transfers in	1,939,105	3,547,748	3,491,544	(56,204)
Amount available for appropriations	90,911,140	99,467,628	92,502,222	(6,965,406)
Charges to appropriations (outflows):				
Current:				
General government	3,424,366	3,826,969	2,917,692	909,277
Human resources	1,001,014	992,165	826,520	165,645
Finance and technology	6,693,611	6,765,084	6,760,790	4,294
Community development	6,910,514	7,135,981	7,329,489	(193,508)
Parks, Rec & Com Partnerships	12,074,439	12,107,566	11,835,746	271,820
Public safety - police	29,075,944	30,824,620	30,143,761	680,859
Public safety - fire	16,888,371	17,014,082	16,822,799	191,283
Public works	8,774,194	9,504,713	8,288,283	1,216,430
Capital outlays	283,130	1,165,570	882,281	283,289
Transfers out	5,785,557	10,130,878	5,619,866	4,511,012
Total charges to appropriations	90,911,140	99,467,628	91,427,227	(8,040,401)
Excess of resources over (under) charges for appropriations	-	-	1,074,995	1,074,995
Fund balance, June 30	\$ 28,353,781	\$ 28,353,781	\$ 29,428,776	\$ 1,074,995

See Independent Auditors' Report.

City of San Buenaventura
Required Supplemental Information
For the Year Ended June 30, 2013

2. SCHEDULE OF FUNDING PROGRESS - DEFINED BENEFIT PENSION PLAN

A schedule of funding progress for the most recent years available, three actuarial valuations are presented below.

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Underfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Underfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
Miscellaneous Employees Group						
06/30/10	\$171,259,629	\$192,586,854	\$ 21,327,225	88.9%	\$ 27,786,031	76.8%
06/30/11	182,309,724	205,505,646	23,195,922	88.7%	28,738,080	80.7%
06/30/12	188,864,728	213,214,115	24,349,387	88.6%	27,721,786	87.8%
Safety Employees Group						
06/30/10	\$190,490,790	\$268,876,170	\$ 78,385,380	70.8%	\$ 20,216,386	387.7%
06/30/11	202,429,520	275,332,767	72,903,247	73.5%	19,738,258	369.3%
06/30/12	207,466,811	290,577,006	83,110,195	71.4%	19,636,890	423.2%

See Independent Auditors' Report.



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YEAR ENDED JUNE 30, 2013



Supplementary
Information



Major Governmental Funds



Major Governmental Funds

General Fund – The General Fund was established to account for sources and uses of financial resources traditionally associated with governments which are not required to be accounted for in another fund.

Certificates of Participation (COP) Debt Obligation Debt Service Fund – To account for the accumulation of resources and payment of long-term debt principal and interest for COP issued by the Public Facilities Financing Authority.

Capital Improvement Capital Projects Fund – To account for financial resources to be used for purchase or construction of major capital improvements (other than those funded through proprietary or special revenue funds).

Gas Tax Capital Projects Fund – To account for revenue received from the State of California and other sources to be used for street maintenance and improvements only.

Park and Recreation Capital Projects Fund – To account for park and recreation facilities tax revenue to be used for planning, acquisition, improvements or expansion of public parks, playgrounds, or other recreational facilities.

Housing and Community Development Block Grant Capital Projects Fund – To account for the revenue and expenditures related to Federal Community Development Block Grants.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Certificates of Participation Debt Obligation Debt Service Fund For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 5,193,034	\$ 5,193,034	\$ 5,193,034	\$ -
Resources (inflows):				
Use of money and property	-	-	4,099	4,099
Other revenue	904,136	863,063	56,220	(806,843)
Transfers in	3,533,997	3,533,997	4,034,980	500,983
Amount available for appropriations	4,438,133	4,397,060	4,095,299	(301,761)
Charges to appropriations (outflows):				
Principal retirement	1,992,596	1,992,596	2,320,000	(327,404)
Interest and other charges	1,541,401	1,541,401	1,183,805	357,596
Transfers out	904,136	863,063	515,103	347,960
Total charges to appropriations	4,438,133	4,397,060	4,018,908	378,152
Excess of resources over (under) charges for appropriations	-	-	76,391	76,391
Fund balance, June 30	\$ 5,193,034	\$ 5,193,034	\$ 5,269,425	\$ 76,391

See Independent Auditors' Report.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Capital Improvement Capital Projects Fund

For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 2,758,932	\$ 2,758,932	\$ 2,758,932	\$ -
Resources (inflows):				
Taxes	-	-	90,214	90,214
Intergovernmental	246,149	3,060	361,246	358,186
Use of money and property	-	-	773	773
Other revenue	429,069	1,265,822	6,282	(1,259,540)
Transfers in	2,420,055	4,740,308	1,249,123	(3,491,185)
Amount available for appropriations	3,095,273	6,009,190	1,707,638	(4,301,552)
Charges to appropriations (outflows):				
Public works	-	-	575,683	(575,683)
Capital outlays	3,095,273	5,938,632	1,670,718	4,267,914
Transfers out	-	70,558	70,558	-
Total charges to appropriations	3,095,273	6,009,190	2,316,959	(3,692,231)
Excess of resources over (under) charges for appropriations	-	-	(609,321)	(609,321)
Fund balance, June 30	\$ 2,758,932	\$ 2,758,932	\$ 2,149,611	\$ (609,321)

See Independent Auditors' Report.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Gas Tax Capital Projects Fund

For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 22,564,398	\$ 22,564,398	\$ 22,564,398	\$ -
Resources (inflows):				
Taxes	-	-	623,877	623,877
Intergovernmental	7,826,409	8,688,037	4,345,572	(4,342,465)
Use of money and property	128,916	128,916	27,885	(101,031)
Other revenue	8,732,423	9,684,125	84,107	(9,600,018)
Transfers in	-	95,330	95,330	-
Amount available for appropriations	16,687,748	18,596,408	5,176,771	(13,419,637)
Charges to appropriations (outflows):				
Public works	16,264,198	17,852,015	2,965,429	14,886,586
Capital outlays	170,421	339,415	1,400,643	(1,061,228)
Transfers out	253,129	404,978	347,333	57,645
Total charges to appropriations	16,687,748	18,596,408	4,713,405	(13,883,003)
Excess of resources over (under) charges for appropriations	-	-	463,366	463,366
Fund balance, June 30	\$ 22,564,398	\$ 22,564,398	\$ 23,027,764	\$ 463,366

See Independent Auditors' Report.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Park and Recreation Capital Projects Fund

For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 5,539,960	\$ 5,539,960	\$ 5,539,960	\$ -
Resources (inflows):				
Taxes	150,000	150,000	146,454	(3,546)
Intergovernmental	-	124,851	-	(124,851)
Use of money and property	-	-	28,943	28,943
Other revenue	1,099,000	1,558,359	190,082	(1,368,277)
Transfers in	-	1,402,314	451,243	(951,071)
Amount available for appropriations	1,249,000	3,235,524	816,722	(2,418,802)
Charges to appropriations (outflows):				
Parks, Rec & Com Partnerships	-	63,000	261,771	(198,771)
Capital outlays	1,099,000	3,022,524	1,261,679	1,760,845
Transfers out	150,000	150,000	150,000	-
Total charges to appropriations	1,249,000	3,235,524	1,673,450	(1,562,074)
Excess of resources over (under) charges for appropriations	-	-	(856,728)	(856,728)
Fund balance, June 30	\$ 5,539,960	\$ 5,539,960	\$ 4,683,232	\$ (856,728)

See Independent Auditors' Report.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Housing and Community Development Block Grant Capital Projects Fund For the year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1	\$ 1,385,608	\$ 1,385,608	\$ 1,385,608	\$ -
Resources (inflows):				
Intergovernmental	2,210,790	2,309,977	817,369	(1,492,608)
Use of money and property	1,613	1,613	3,937	2,324
Amount available for appropriations	2,212,403	2,311,590	821,306	(1,490,284)
Charges to appropriations (outflows):				
Community development	2,212,403	2,193,165	587,729	1,605,436
Capital outlays	-	118,425	235,656	(117,231)
Total charges to appropriations	2,212,403	2,311,590	823,385	(1,488,205)
Excess of resources over (under) charges for appropriations	-	-	(2,079)	(2,079)
Fund balance, June 30	\$ 1,385,608	\$ 1,385,608	\$ 1,383,529	\$ (2,079)

See Independent Auditors' Report.



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YEAR ENDED JUNE 30, 2013

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Non-Major
Governmental Funds



Non-Major Governmental Funds

Supplemental Law Enforcement Services Fund – To account for revenues and expenditures related to Assembly Bill 3229 in the California State Budget to be used for front-line municipal police services.

Law Enforcement Fund – To account for revenue and costs related to special narcotics investigations and for providing police services on a contractual basis to other entities.

Public Art Fund – To account for revenue and expenditures related to the City's Public Art Program.

Successor Housing Agency – To manage the housing functions of the former Redevelopment Agency.

Downtown Parking District Fund – To account for revenue and expenditures related to the City's Downtown Parking Management Program.

Maintenance Assessment District Fund – To account for funds held in trust by the City as collected from property assessments to be used for maintenance and improvements such as landscape and lighting.

Street Lighting Fund – To account for street lighting revenue and expenditures for the City.

Municipal Improvement Revenue Bonds Fund – To account for the accumulation of resources and payment of long-term debt principal and interest for the parking structure leaseback and Revenue Refunding Bonds.

Portobello Dredging Fund – To account for improvements and dredging of the Portobello Canal.



COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

City of San Buenaventura
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue					
	Supplemental Law Enforcement Services	Law Enforcement	Public Art	Successor Housing Agency	Downtown Parking District	Maintenance Assessment District
ASSETS						
Assets:						
Cash and investments	\$ -	\$ 142,570	\$1,667,683	\$ -	\$ 48,691	\$ 1,442,809
Restricted cash and investments	-	-	-	-	-	-
Accounts receivable, net	-	-	2,000	-	5,618	3,539
Due from other funds	-	-	-	283,758	-	-
Due from others	-	-	-	-	5,653	2,195
Due from other governments	45,299	-	-	-	-	5,725
Loans and notes receivable	-	-	-	4,200,713	-	-
Due from Successor Agency	-	-	1,241,742	1,389,211	-	-
Total assets	\$ 45,299	\$ 142,570	\$2,911,425	\$ 5,873,682	\$ 59,962	\$ 1,454,268
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 215	\$ 1,249	\$ 1,126	\$ 16,679
Due to other funds	-	-	-	766,987	927,500	-
Unearned revenue	-	-	-	71,760	-	-
Total liabilities	-	-	215	839,996	928,626	16,679
Fund Balances:						
Nonspendable	-	-	1,241,742	5,589,924	-	-
Restricted	45,299	-	-	-	-	-
Committed	-	-	1,669,468	-	-	1,437,589
Assigned	-	142,570	-	-	-	-
Unassigned	-	-	-	(556,238)	(868,664)	-
Total fund balances (deficit)	45,299	142,570	2,911,210	5,033,686	(868,664)	1,437,589
Total liabilities and fund balances	\$ 45,299	\$ 142,570	\$2,911,425	\$ 5,873,682	\$ 59,962	\$ 1,454,268

See Independent Auditors' Report.

<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<u>Street Lighting District</u>	<u>Municipal Improvement Revenue Bonds</u>	<u>Portobello Dredging</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ (78)	\$ -	\$ 3,301,675
-	474,557	-	474,557
10,863	34	-	22,054
-	-	-	283,758
-	-	-	7,848
17,437	-	-	68,461
-	-	-	4,200,713
-	-	-	2,630,953
\$ 28,300	\$ 474,513	\$ -	\$ 10,990,019
\$ 80,020	\$ -	\$ -	\$ 99,289
-	-	-	1,694,487
-	-	-	71,760
80,020	-	-	1,865,536
-	-	-	6,831,666
-	474,513	-	519,812
-	-	-	3,107,057
-	-	-	142,570
(51,720)	-	-	(1,476,622)
(51,720)	474,513	-	9,124,483
\$ 28,300	\$ 474,513	\$ -	\$ 10,990,019

See Independent Auditors' Report.

City of San Buenaventura
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2013

	Special Revenue					
	Supplemental Law Enforcement Services	Law Enforcement	Public Art	Successor Housing Agency	Downtown Parking District	Maintenance Assessment District
REVENUES:						
Taxes	\$ 146,983	\$ -	\$ -	\$ -	\$ -	\$ 3,111
Intergovernmental	-	14,946	-	-	-	-
Charges for services	-	-	-	-	528,250	636,552
Use of money and property	-	575	38,440	45,081	400,044	10,048
Other revenue	-	-	8,269	-	-	-
Total revenues	146,983	15,521	46,709	45,081	928,294	649,711
EXPENDITURES:						
Current:						
Community development	-	-	-	26,100	-	-
Parks, Rec & Com Partnerships	-	-	94,246	-	-	-
Public safety - police	145,270	18,486	-	-	-	-
Public works	-	-	-	-	744,507	390,967
Debt Service:						
Principal retirement	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Total expenditures	145,270	18,486	94,246	26,100	744,507	390,967
REVENUES OVER (UNDER) EXPENDITURES	1,713	(2,965)	(47,537)	18,981	183,787	258,744
OTHER FINANCING SOURCES (USES):						
Transfers in	11,011	46,826	4,000	-	-	76,104
Transfers out	-	-	-	-	-	(132,761)
Total other financing sources (uses)	11,011	46,826	4,000	-	-	(56,657)
Net change in fund balances	12,724	43,861	(43,537)	18,981	183,787	202,087
FUND BALANCES:						
Beginning of year	32,575	98,709	2,954,747	5,014,705	(1,052,451)	1,235,502
End of year	\$ 45,299	\$ 142,570	\$ 2,911,210	\$ 5,033,686	\$ (868,664)	\$ 1,437,589

See Independent Auditors' Report.

<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
<u>Street Lighting District</u>	<u>Municipal Improvement Revenue Bonds</u>	<u>Portobello Dredging</u>	
\$ 881,176	\$ -	\$ 982	\$ 1,032,252
-	-	-	14,946
-	-	-	1,164,802
446	15,242	1,874	511,750
-	-	-	8,269
881,622	15,242	2,856	2,732,019
-	-	-	26,100
-	-	-	94,246
-	-	-	163,756
1,314,051	-	-	2,449,525
-	485,000	-	485,000
-	419,231	-	419,231
1,314,051	904,231	-	3,637,858
(432,429)	(888,989)	2,856	(905,839)
455,151	336,000	-	929,092
-	(186,404)	(1,346,116)	(1,665,281)
455,151	149,596	(1,346,116)	(736,189)
22,722	(739,393)	(1,343,260)	(1,642,028)
(74,442)	1,213,906	1,343,260	10,766,511
\$ (51,720)	\$ 474,513	\$ -	\$ 9,124,483

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Supplemental Law Enforcement Services Special Revenue Fund For the year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1	<u>\$ 32,575</u>	<u>\$ 32,575</u>	<u>\$ 32,575</u>	<u>\$ -</u>
Resources (inflows):				
Taxes	200,000	200,000	146,983	(53,017)
Use of money and property	1,682	1,682	-	(1,682)
Transfers in	97,032	115,035	11,011	(104,024)
Amount available for appropriations	<u>298,714</u>	<u>316,717</u>	<u>157,994</u>	<u>(158,723)</u>
Charges to appropriations (outflows):				
Public safety - police	298,714	316,717	145,270	171,447
Total charges to appropriations	<u>298,714</u>	<u>316,717</u>	<u>145,270</u>	<u>(171,447)</u>
Excess of resources over (under) charges for appropriations	<u>-</u>	<u>-</u>	<u>12,724</u>	<u>12,724</u>
Fund balance, June 30	<u>\$ 32,575</u>	<u>\$ 32,575</u>	<u>\$ 45,299</u>	<u>\$ 12,724</u>

See Independent Auditors' Report.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Law Enforcement Special Revenue Fund

For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	<u>\$ 98,709</u>	<u>\$ 98,709</u>	<u>\$ 98,709</u>	<u>\$ -</u>
Resources (inflows):				
Intergovernmental	50,000	3,174	14,946	11,772
Use of money and property	26	26	575	549
Transfers in	165,714	61,800	46,826	(14,974)
Amount available for appropriations	<u>215,740</u>	<u>65,000</u>	<u>62,347</u>	<u>(2,653)</u>
Charges to appropriations (outflows):				
Public safety - police	215,740	65,000	18,486	46,514
Total charges to appropriations	<u>215,740</u>	<u>65,000</u>	<u>18,486</u>	<u>(46,514)</u>
Excess of resources over (under) charges for appropriations	<u>-</u>	<u>-</u>	<u>43,861</u>	<u>43,861</u>
Fund balance, June 30	<u>\$ 98,709</u>	<u>\$ 98,709</u>	<u>\$ 142,570</u>	<u>\$ 43,861</u>

See Independent Auditors' Report.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Public Art Special Revenue Fund

For the year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1	\$ 2,954,747	\$ 2,954,747	\$ 2,954,747	\$ -
Resources (inflows):				
Use of money and property	-	-	38,440	38,440
Other revenue	260,468	416,909	8,269	(408,640)
Transfers in	-	4,000	4,000	-
Amount available for appropriations	260,468	420,909	50,709	(370,200)
Charges to appropriations (outflows):				
Parks, Rec & Com Partnerships	260,468	420,909	94,246	326,663
Total charges for appropriations	260,468	420,909	94,246	(326,663)
Excess of resources over (under) charges for appropriations	-	-	(43,537)	(43,537)
Fund balance, June 30	\$ 2,954,747	\$ 2,954,747	\$ 2,911,210	\$ (43,537)

See Independent Auditors' Report.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Successor Housing Agency Special Revenue Fund For the year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1	\$ 5,014,705	\$ 5,014,705	\$ 5,014,705	\$ -
Resources (inflows):				
Use of money and property	-	-	45,081	45,081
Other revenue	90,384	134,239	-	(134,239)
Amount available for appropriations	90,384	134,239	45,081	(89,158)
Charges to appropriations (outflows):				
Community development	90,384	134,239	26,100	108,139
Total charges to appropriations	90,384	134,239	26,100	(108,139)
Excess of resources over (under) charges for appropriations	-	-	18,981	18,981
Fund balance, June 30	\$ 5,014,705	\$ 5,014,705	\$ 5,033,686	\$ 18,981

See Independent Auditors' Report.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Downtown Parking District Special Revenue Fund For the year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1	\$ (1,052,451)	\$ (1,052,451)	\$ (1,052,451)	\$ -
Resources (inflows):				
Charges for services	546,000	546,000	528,250	(17,750)
Use of money and property	437,000	465,724	400,044	(65,680)
Other revenue	-	82,313	-	(82,313)
Amount available for appropriations	983,000	1,094,037	928,294	(165,743)
Charges to appropriations (outflows):				
Public works	983,000	1,046,178	744,507	301,671
Total charges to appropriations	983,000	1,046,178	744,507	(301,671)
Excess of resources over (under) charges for appropriations	-	47,859	183,787	135,928
Fund balance, June 30	\$ (1,052,451)	\$ (1,004,592)	\$ (868,664)	\$ 135,928

See Independent Auditors' Report.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Maintenance Assessment District Special Revenue Fund

For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 1,235,502	\$ 1,235,502	\$ 1,235,502	\$ -
Resources (inflows):				
Taxes	-	-	3,111	3,111
Charges for services	777,311	704,513	636,552	(67,961)
Use of money and property	1,178	1,178	10,048	8,870
Transfers in	-	76,103	76,104	1
Amount available for appropriations	778,489	781,794	725,815	(55,979)
Charges to appropriations (outflows):				
Public works	645,728	649,033	390,967	258,066
Transfers out	132,761	132,761	132,761	-
Total charges to appropriations	778,489	781,794	523,728	(258,066)
Excess of resources over (under) charges for appropriations	-	-	202,087	202,087
Fund balance, June 30	\$ 1,235,502	\$ 1,235,502	\$ 1,437,589	\$ 202,087

See Independent Auditors' Report.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Street Lighting District Special Revenue Fund For the year ended June 30, 2013

	Budgeted Amounts		Actual Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Fund balance, July 1	\$ (74,442)	\$ (74,442)	\$ (74,442)	\$ -
Resources (inflows):				
Taxes	886,636	886,636	881,176	(5,460)
Intergovernmental	275	275	-	(275)
Use of money and property	3,000	3,000	446	(2,554)
Transfers in	487,124	487,124	455,151	(31,973)
Amount available for appropriations	1,377,035	1,377,035	1,336,773	(40,262)
Charges to appropriations (outflows):				
Public works	1,377,035	1,377,035	1,314,051	62,984
Total charges to appropriations	1,377,035	1,377,035	1,314,051	(62,984)
Excess of resources over (under) charges for appropriations	-	-	22,722	22,722
Fund balance, June 30	\$ (74,442)	\$ (74,442)	\$ (51,720)	\$ 22,722

See Independent Auditors' Report.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Municipal Improvement Revenue Bonds Debt Service Fund For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 1,213,906	\$ 1,213,906	\$ 1,213,906	\$ -
Resources (inflows):				
Use of money and property	128,469	128,469	15,242	(113,227)
Transfers in	336,000	336,000	336,000	-
Other revenue	655,193	906,997	-	(906,997)
Amount available for appropriations	1,119,662	1,371,466	351,242	(1,020,224)
Charges to appropriations (outflows):				
Principal retirement	485,000	485,000	485,000	-
Interest and other charges	419,731	419,731	419,231	500
Transfers out	214,931	466,735	186,404	280,331
Total charges to appropriations	1,119,662	1,371,466	1,090,635	280,831
Excess of resources over (under) charges for appropriations	-	-	(739,393)	(739,393)
Fund balance, June 30	\$ 1,213,906	\$ 1,213,906	\$ 474,513	\$ (739,393)

See Independent Auditors' Report.

City of San Buenaventura

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Portobello Dredging Capital Projects Fund For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 1,343,260	\$ 1,343,260	\$ 1,343,260	\$ -
Resources (inflows):				
Taxes	100	100	982	882
Use of money and property	73,570	73,570	1,877	(71,693)
Amount available for appropriations	73,670	73,670	2,859	(70,811)
Charges to appropriations (outflows):				
Public works	185,800	185,800	3	185,797
Transfers out	-	1,346,236	1,346,116	120
Interest and other charges	79,943	79,943	-	79,943
Total charges to appropriations	265,743	1,611,979	1,346,119	(265,860)
Excess of resources over (under) charges for appropriations	(192,073)	(1,538,309)	(1,343,260)	195,049
Fund balance, June 30	\$ 1,151,187	\$ (195,049)	\$ -	\$ 195,049



Internal Service Funds



Internal Service Funds

Information Technology Fund – To account for costs related to the replacement and maintenance of the City's computer infrastructure. Costs are recovered through a monthly user fee charged to City departments.

Fleet Maintenance Fund – To account for costs related to operation of the central garage and fleet maintenance system, which provides vehicles and equipment for all City departments. Costs are recovered through a monthly user fee charged to City departments.

Facilities Maintenance Fund – To account for costs related to providing facility maintenance services to all City departments. A monthly fee, based on office square footage, is charged to City departments to recover these costs.

Digital Publishing Fund – To account for costs related to printing and reproduction of materials by all City departments. Costs are recovered through a monthly user fee and other fees charged to City departments using the service.

Workers' Compensation Fund – To account for costs and liabilities related to the Workers' Compensation Program. Costs are recovered through a monthly fee based on employee type, which are charged to City departments.

Employee Fringe Benefits Fund – To account for costs and liabilities related to health, life, dental, and disability insurance, public employees' retirement system, federal and state taxes, association dues, leave time benefits, and miscellaneous deductions paid by the City on behalf of the employees. A bi-weekly employee benefit charge based on a percentage of gross payroll is charged to City departments to recover these costs.

Risk Management Fund – To account for costs of providing public liability insurance coverage to operating funds. Costs are recovered from those funds which benefit from the insurance coverage.



COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

City of San Buenaventura
Combining Statement of Net Position
Internal Service Funds
June 30, 2013

	<u>Information Technology</u>	<u>Fleet Maintenance</u>	<u>Facilities Maintenance</u>	<u>Digital Publishing</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 570,372	\$ 4,359,751	\$ 1,369,460	\$ 298,853
Accounts receivable, net	29,142	76,780	13,033	449
Due from other funds	-	-	155,056	-
Due from others	-	7,418	-	-
Notes receivable	-	-	-	-
Total current assets	<u>599,514</u>	<u>4,443,949</u>	<u>1,537,549</u>	<u>299,302</u>
Noncurrent Assets				
Capital assets:				
Non-depreciable	-	188,353	-	-
Depreciable, net	840,901	6,519,858	642,027	21,199
Total noncurrent assets	<u>840,901</u>	<u>6,708,211</u>	<u>642,027</u>	<u>21,199</u>
Total assets	<u>1,440,415</u>	<u>11,152,160</u>	<u>2,179,576</u>	<u>320,501</u>
LIABILITIES				
Current liabilities:				
Accounts payable	158,629	167,429	189,131	7,713
Accrued payroll liabilities	-	-	-	-
Due to other governments	76	936	29	41
Claims and judgments payable	-	-	-	-
Compensated absences payable	-	-	-	-
Long-term debt - due within one year	-	-	84,138	-
Total current liabilities	<u>158,705</u>	<u>168,365</u>	<u>273,298</u>	<u>7,754</u>
Noncurrent liabilities				
Claims and judgments payable	-	-	-	-
Compensated absences payable	-	-	-	-
Long-term debt - due in more than one year	-	-	346,535	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>346,535</u>	<u>-</u>
Total liabilities	<u>158,705</u>	<u>168,365</u>	<u>619,833</u>	<u>7,754</u>
NET POSITION				
Net investment in capital assets	840,901	6,708,211	211,354	21,199
Unrestricted	440,809	4,275,584	1,348,389	291,548
Total net position	<u>\$ 1,281,710</u>	<u>\$ 10,983,795</u>	<u>\$ 1,559,743</u>	<u>\$ 312,747</u>

See Independent Auditors' Report.

Workers Compensation	Employee Fringe Benefits	Risk Management	Total
\$ 4,660,516	\$ 3,494,196	\$ 1,000,059	\$ 15,753,207
1,000	26,110	-	146,514
1,596,413	-	-	1,751,469
-	-	839	8,257
-	710,398	-	710,398
6,257,929	4,230,704	1,000,898	18,369,845
-	-	-	188,353
-	1,055	9,858	8,034,898
-	1,055	9,858	8,223,251
6,257,929	4,231,759	1,010,756	26,593,096
46,769	21,311	3,699	594,681
-	3,130,929	-	3,130,929
11	158	-	1,251
2,643,558	-	467,103	3,110,661
-	578,241	-	578,241
-	-	-	84,138
2,690,338	3,730,639	470,802	7,499,901
5,067,960	-	225,525	5,293,485
-	4,898,387	-	4,898,387
-	-	-	346,535
5,067,960	4,898,387	225,525	10,538,407
7,758,298	8,629,026	696,327	18,038,308
-	1,055	9,858	7,792,578
(1,500,369)	(4,398,322)	304,571	762,210
\$ (1,500,369)	\$ (4,397,267)	\$ 314,429	\$ 8,554,788

City of San Buenaventura
Combining Statement of Revenues, Expenditures and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2013

	<u>Information Technology</u>	<u>Fleet Maintenance</u>	<u>Facilities Maintenance</u>	<u>Digital Publishing</u>
OPERATING REVENUES:				
Internal service charges	\$ 3,630,059	\$ 3,677,919	\$ 3,447,934	\$ 432,616
Other operating revenues	11,326	482,696	178,189	523
Total operating revenues	3,641,385	4,160,615	3,626,123	433,139
OPERATING EXPENSES:				
Salaries and benefits	1,684,318	874,655	766,069	209,650
Contractual services	477,858	155,810	1,397,399	50,534
Materials and supplies	232,819	1,505,946	18,119	53,267
General and administrative	734,053	211,244	1,147,070	34,620
Insurance premiums and settlements	-	-	-	-
Depreciation	157,697	1,094,180	55,825	4,220
Total operating expenses	3,286,745	3,841,835	3,384,482	352,291
OPERATING INCOME (LOSS)	354,640	318,780	241,641	80,848
NONOPERATING REVENUES (EXPENSES):				
Investment income	-	-	-	-
Gain on disposal of assets	-	48,561	-	-
Interest expense	(7,756)	(37,106)	(26,573)	(4,064)
Total nonoperating revenues (expenses)	(7,756)	11,455	(26,573)	(4,064)
Income (loss) before transfers	346,884	330,235	215,068	76,784
Transfers in	-	20,151	155,249	-
Transfers out	-	(500,000)	(24,686)	-
Change in net position	346,884	(149,614)	345,631	76,784
NET POSITION:				
Beginning of year	934,826	11,133,409	1,214,112	235,963
End of year	\$ 1,281,710	\$ 10,983,795	\$ 1,559,743	\$ 312,747

See Independent Auditors' Report.

<u>Workers Compensation</u>	<u>Employee Fringe Benefits</u>	<u>Risk Management</u>	<u>Total</u>
\$ 2,773,946	\$ 6,990,146	\$ 1,499,373	\$ 22,451,993
337,399	10,192	33,465	1,053,790
3,111,345	7,000,338	1,532,838	23,505,783
110,972	1,119,841	217,340	4,982,845
310,019	61,949	68,476	2,522,045
7,449	2,261	33	1,819,894
167,101	124,166	462,463	2,880,717
1,906,444	5,999,292	1,128,329	9,034,065
-	602	758	1,313,282
2,501,985	7,308,111	1,877,399	22,552,848
609,360	(307,773)	(344,561)	952,935
-	28,029	-	28,029
-	-	-	48,561
(63,359)	(47,451)	(13,592)	(199,901)
(63,359)	(19,422)	(13,592)	(123,311)
546,001	(327,195)	(358,153)	829,624
-	-	-	175,400
-	-	-	(524,686)
546,001	(327,195)	(358,153)	480,338
(2,046,370)	(4,070,072)	672,582	8,074,450
\$ (1,500,369)	\$ (4,397,267)	\$ 314,429	\$ 8,554,788

City of San Buenaventura
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2013

	<u>Information Technology</u>	<u>Fleet Maintenance</u>	<u>Facilities Maintenance</u>	<u>Digital Publishing</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/other funds	\$ 3,615,322	\$ 3,617,099	\$ 3,451,467	\$ 432,406
Cash payments to suppliers for goods and services	(1,187,319)	(1,798,107)	(2,445,711)	(98,127)
Cash payments for interfund services	(136,909)	(173,904)	(120,226)	(33,567)
Cash payments to employees for services	(1,684,317)	(874,655)	(766,069)	(209,649)
Insurance premiums and settlements	-	-	-	-
Other operating revenues	11,326	482,696	178,187	523
Net cash provided (used) by operating activities	<u>618,103</u>	<u>1,253,129</u>	<u>297,648</u>	<u>91,586</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Employee housing loans made	-	-	-	-
Payment of employee housing loans	-	-	-	-
Transfers to other funds	-	(500,000)	(24,686)	-
Transfers from other funds	-	20,151	155,249	-
Net cash provided (used) by noncapital	<u>-</u>	<u>(479,849)</u>	<u>130,563</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(322,105)	(878,621)	(194,664)	-
Payment of long-term debt	(177,192)	-	(83,784)	-
Proceeds from sale of assets	-	(76,068)	-	-
Interest paid	(7,756)	(37,106)	(26,573)	(4,064)
Net cash (used) by capital and related financing activities	<u>(507,053)</u>	<u>(991,795)</u>	<u>(305,021)</u>	<u>(4,064)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	-	-	-	-
Net increase (decrease) in cash and cash equivalents	<u>111,050</u>	<u>(218,515)</u>	<u>123,190</u>	<u>87,522</u>
CASH AND INVESTMENTS				
Beginning of year	459,322	4,578,266	1,246,270	211,331
End of year	<u>\$ 570,372</u>	<u>\$ 4,359,751</u>	<u>\$ 1,369,460</u>	<u>\$ 298,853</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 354,640	\$ 318,780	\$ 241,641	\$ 80,848
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	157,697	1,094,180	55,825	4,220
Changes in assets and liabilities:				
Accounts receivable	(15,091)	(53,402)	(12,618)	(250)
Due from other funds	-	-	(109,613)	-
Due from other governments	-	-	125,764	-
Due from others	354	(7,418)	-	40
Accounts payable	120,432	(99,945)	(3,340)	6,687
Accrued payroll liabilities	-	-	-	-
Due to other governments	71	934	(11)	41
Claims and judgments payable	-	-	-	-
Compensated absences payable	-	-	-	-
Total adjustments	<u>263,463</u>	<u>934,349</u>	<u>56,007</u>	<u>10,738</u>
Net cash provided (used) by operating activities	<u>\$ 618,103</u>	<u>\$ 1,253,129</u>	<u>\$ 297,648</u>	<u>\$ 91,586</u>

See Independent Auditors' Report.

	Workers Compensation	Employee Fringe Benefits	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/other funds	\$ 2,972,946	\$ 7,028,327	\$ 1,938,905	\$ 23,056,472
Cash payments to suppliers for goods and services	(370,701)	(185,637)	(526,157)	(6,611,759)
Cash payments for interfund services	(70,437)	(26,839)	(10,415)	(572,297)
Cash payments to employees for services	(110,972)	(1,119,841)	(217,340)	(4,982,843)
Insurance premiums and settlements	(2,774,793)	(9,785,451)	(1,491,585)	(14,051,829)
Other operating revenues	337,399	10,192	33,466	1,053,789
Net cash provided (used) by operating activities	(16,558)	(4,079,249)	(273,126)	(2,108,467)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Employee housing loans made	-	(17,620)	-	(17,620)
Payment of employee housing loans	-	90,766	-	90,766
Transfers to other funds	-	-	-	(524,686)
Transfers from other funds	-	-	-	175,400
Net cash provided (used) by noncapital	-	73,146	-	(276,140)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	-	-	-	(1,395,390)
Payment of long-term debt	-	-	-	(260,976)
Proceeds from sale of assets	-	-	-	(76,068)
Interest paid	(63,359)	(47,451)	(13,593)	(199,902)
Net cash (used) by capital and related financing activities	(63,359)	(47,451)	(13,593)	(1,932,336)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	-	28,029	-	28,029
Net increase (decrease) in cash and cash equivalents	(79,917)	(4,025,525)	(286,719)	(4,288,914)
CASH AND INVESTMENTS				
Beginning of year	4,740,433	7,519,721	1,286,778	20,042,121
End of year	\$ 4,660,516	\$ 3,494,196	\$ 1,000,059	\$ 15,753,207
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 609,360	\$ (307,773)	\$ (344,561)	\$ 952,935
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	602	758	1,313,282
Changes in assets and liabilities:				
Accounts receivable	(1,000)	(4,193)	-	(86,554)
Due from other funds	200,000	-	-	90,387
Due from other governments	-	2,252	440,204	568,220
Due from others	-	40,122	(672)	32,426
Accounts payable	43,431	(24,130)	(5,599)	37,536
Accrued payroll liabilities	-	(3,913,659)	-	(3,913,659)
Due to other governments	-	30	-	1,065
Claims and judgments payable	(868,349)	-	(363,256)	(1,231,605)
Compensated absences payable	-	127,500	-	127,500
Total adjustments	(625,918)	(3,771,476)	71,435	(3,061,402)
Net cash provided (used) by operating activities	\$ (16,558)	\$ (4,079,249)	\$ (273,126)	\$ (2,108,467)



COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013



Agency Funds



Agency Funds

Agency Funds:

Property Based Improvement District Fund – To account for the funds held in trust by the City as collected from property assessments to be used for the improvements and maintenance of the Downtown Property Based Improvement District.

Ventura, Oxnard, Camarillo Tourism Business Improvement District Fund (VOCTBID) – To account for the funds held in trust by the City as collected from hotel assessments. VOCTBID is a regional benefit assessment district established to help fund marketing and sales promotional efforts of lodging businesses in the member cities.

City of San Buenaventura
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2013

	<u>Agency Funds</u>		
	<u>Property Based Improvement District</u>	<u>Ventura Oxnard Camarillo Tourism Business Improvement District</u>	<u>Totals Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 140,577	\$ 72,488	\$ 213,065
Accounts receivable, net	50,631	-	50,631
Due from others	2,791	108,696	111,487
	<u>2,791</u>	<u>108,696</u>	<u>111,487</u>
TOTAL ASSETS	<u>\$ 193,999</u>	<u>\$ 181,184</u>	<u>\$ 375,183</u>
LIABILITIES			
Due to others	193,999	-	193,999
Deposits held for others	-	181,184	181,184
	<u>-</u>	<u>181,184</u>	<u>181,184</u>
TOTAL LIABILITIES	<u>\$ 193,999</u>	<u>\$ 181,184</u>	<u>\$ 375,183</u>

See Independent Auditors' Report.

City of San Buenaventura
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	<u>Balance</u> <u>July 01, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>Property Based Improvement District</u>				
Assets:				
Cash and equivalents	\$ 130,514	\$ 451,145	\$ 441,082	\$ 140,577
Accounts receivable	43,610	471,833	464,812	50,631
Due from others	14,483	2,791	14,483	2,791
	<u>\$ 188,607</u>	<u>\$ 925,769</u>	<u>\$ 920,377</u>	<u>\$ 193,999</u>
Liabilities:				
Due to others	\$ 128,980	\$ 65,019	\$ -	\$ 193,999
Deposits held for others	59,627	-	59,627	-
	<u>\$ 188,607</u>	<u>\$ 65,019</u>	<u>\$ 59,627</u>	<u>\$ 193,999</u>
<u>Ventura Oxnard Camarillo Tourism Business Improvement District</u>				
Assets:				
Cash and investments	\$ 35,791	\$ 567,937	\$ 531,240	\$ 72,488
Due from others	73,319	108,696	73,319	108,696
	<u>\$ 109,110</u>	<u>\$ 676,633</u>	<u>\$ 604,559</u>	<u>\$ 181,184</u>
Liabilities:				
Deposits held for others	\$ 109,110	\$ 72,074	\$ -	\$ 181,184
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 166,305	\$ 1,019,082	\$ 972,322	\$ 213,065
Accounts receivable	43,610	471,833	464,812	50,631
Due from others	87,802	111,487	87,802	111,487
Total Assets	<u>\$ 297,717</u>	<u>\$ 1,602,402</u>	<u>\$ 1,524,936</u>	<u>\$ 375,183</u>
Liabilities:				
Due to others	\$ 128,980	\$ 65,019	\$ -	\$ 193,999
Deposits held for others	168,737	72,074	59,627	181,184
Total Liabilities	<u>\$ 297,717</u>	<u>\$ 137,093</u>	<u>\$ 59,627</u>	<u>\$ 375,183</u>

See Independent Auditors' Report.



Statistical Section

City of San Buenaventura
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For the year ended June 30, 2013

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City of San Buenaventura
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COMPREHENSIVE ANNUAL

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

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City of San Buenaventura
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
Governmental activities:				
Net investment in capital assets	\$ 89,591,900	\$ 90,725,614	\$ 77,321,482	\$ 75,888,305
Restricted	43,584,613	46,682,770	34,753,149	35,392,720
Unrestricted	46,572,017	39,792,700	49,188,852	54,178,778
Total governmental activities net position	179,748,530	177,201,084	161,263,483	165,459,803
Business-type activities:				
Net investment in capital assets	114,667,356	138,392,282	141,883,333	135,783,591
Restricted	55,664,645	42,864,420	31,501,671	36,598,184
Unrestricted	22,367,910	7,249,397	18,251,002	46,699,760
Total business-type activities net position	192,699,911	188,506,099	191,636,006	219,081,535
Primary government:				
Net investment in capital assets	204,259,256	229,117,896	219,204,815	211,671,896
Restricted	99,249,258	89,547,190	66,254,820	71,990,904
Unrestricted	68,939,927	47,042,097	67,439,854	100,878,538
Total primary government net position	\$ 372,448,441	\$ 365,707,183	\$ 352,899,489	\$ 384,541,338

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 74,354,906	\$ 80,359,775	\$ 72,471,553	\$ 61,243,588	\$ 50,801,739	\$ 34,465,491
39,856,243	38,634,489	43,023,154	37,975,503	42,284,534	54,603,313
<u>56,553,682</u>	<u>60,090,236</u>	<u>62,093,970</u>	<u>72,493,990</u>	<u>68,406,238</u>	<u>69,085,204</u>
<u>170,764,831</u>	<u>179,084,500</u>	<u>177,588,677</u>	<u>171,713,081</u>	<u>161,492,511</u>	<u>158,154,008</u>
129,877,532	128,436,041	127,477,656	111,965,178	102,241,593	42,586,428
26,051,636	58,901,995	58,695,479	61,527,419	67,471,175	27,709,014
<u>60,072,866</u>	<u>28,380,491</u>	<u>28,607,819</u>	<u>33,995,113</u>	<u>26,305,567</u>	<u>113,413,435</u>
<u>216,002,034</u>	<u>215,718,527</u>	<u>214,780,954</u>	<u>207,487,710</u>	<u>196,018,335</u>	<u>183,708,877</u>
204,232,438	208,795,816	199,949,209	173,208,766	153,043,332	77,051,919
65,907,879	97,536,484	101,718,633	99,502,922	109,755,709	82,312,327
<u>116,626,548</u>	<u>88,470,727</u>	<u>90,701,789</u>	<u>106,489,103</u>	<u>94,711,805</u>	<u>182,498,639</u>
<u>\$ 386,766,865</u>	<u>\$ 394,803,027</u>	<u>\$ 392,369,631</u>	<u>\$ 379,200,791</u>	<u>\$ 357,510,846</u>	<u>\$ 341,862,885</u>

Source: The Comprehensive Annual Financial Report.

City of San Buenaventura

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
Expenses:				
Governmental activities:				
General government	\$ 3,587,971	\$ 3,838,752	\$ 2,938,785	\$ 4,057,019
Human resources	818,497	935,426	757,721	998,303
Finance and technology	6,289,356	6,903,495	8,974,168	7,211,920
Community development	7,824,888	8,821,255	9,784,289	8,061,820
Parks, Rec & Com Partnerships	13,858,724	13,874,230	12,857,684	7,662,891
Public safety - police	29,862,122	30,232,208	29,709,223	30,974,131
Public safety - fire	16,529,573	16,587,189	15,218,015	19,261,764
Public works	17,051,598	18,802,668	17,150,786	21,904,812
Interest on long term debt	1,615,215	2,720,811	5,057,876	3,804,449
Total governmental activities expenses	97,437,944	102,716,034	102,448,547	103,937,109
Business-type activities:				
Wastewater	15,582,433	18,525,753	17,091,823	15,095,598
Water	25,876,190	22,857,394	20,940,661	20,196,960
Golf	4,660,531	4,705,147	4,737,086	4,735,269
Paramedic services	-	-	-	-
Total business-type activities expenses	46,119,154	46,088,294	42,769,570	40,027,827
Total primary government expenses	143,557,098	148,804,328	145,218,117	143,964,936
Program revenues:				
Governmental activities:				
Charges for services:				
General government	4,370	1,474,049	952,233	837,862
Human resources	99	320,472	132,793	132,913
Finance and technology	4,305,576	2,345,531	1,725,803	1,886,441
Community development	1,405,753	1,047,892	1,048,606	783,815
Parks, Rec & Com Partnerships	3,107,603	2,695,290	2,693,611	2,464,904
Public safety - police	2,540,624	3,121,447	2,742,998	2,914,190
Public safety - fire	3,082,025	2,168,313	3,311,170	2,695,415
Public works	1,816,233	1,901,858	2,146,823	2,377,214
Operating grants and contributions	7,515,700	9,593,101	10,589,500	12,243,054
Capital grants and contributions	2,722,940	2,097,184	1,475,426	1,713,185
Total governmental activities program revenues	26,500,923	26,765,137	26,818,963	28,048,993
Business-type activities:				
Charges for services:				
Wastewater	19,143,025	17,221,369	16,326,078	16,978,451
Water	25,373,521	22,371,438	20,946,374	21,828,283
Golf	4,328,089	4,413,243	4,465,557	4,620,035
Paramedic services	-	-	-	-
Operating grants and contributions	-	-	-	16,467
Total business-type activities program revenue	48,844,635	44,006,050	41,738,009	43,443,236
Total primary government program revenues	75,345,558	70,771,187	68,556,972	71,492,229
Net revenues (expenses):				
Governmental activities:	(70,937,021)	(75,950,897)	(75,629,584)	(75,888,116)
Business-type activities:	2,725,481	(2,082,244)	(1,031,561)	3,415,409
Total net revenues (expenses):	\$ (68,211,540)	\$ (78,033,141)	\$ (76,661,145)	\$ (72,472,707)

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 5,384,838	\$ 8,326,371	\$ 8,886,145	\$ 7,363,125	\$ 6,328,043	\$ 4,483,013
2,104,947	816,553	3,301,372	1,794,494	2,432,266	1,918,203
7,784,466	5,707,691	4,491,565	4,214,527	4,406,547	4,299,847
6,671,042	8,294,180	7,441,301	5,843,104	4,195,179	4,581,043
7,593,435	7,913,144	6,342,292	5,914,499	7,670,919	4,324,879
31,303,086	28,193,355	27,092,687	26,149,759	24,818,010	23,340,765
19,799,105	18,632,555	16,325,884	15,259,270	15,090,774	14,285,426
20,250,029	20,915,867	14,143,598	16,523,873	17,314,971	23,212,404
3,996,201	8,984,125	4,158,887	4,348,870	4,142,812	4,138,041
104,887,149	107,783,841	92,183,731	87,411,521	86,399,521	84,583,621
16,135,143	15,511,917	13,513,120	11,348,681	11,087,744	10,230,723
21,685,740	20,433,068	16,959,117	15,400,319	14,909,543	12,644,461
4,732,020	5,623,585	4,631,771	3,379,722	2,197,409	2,817,574
-	-	262,033	266,570	186,185	169,527
42,552,903	41,568,570	35,366,041	30,395,292	28,380,881	25,862,285
147,440,052	149,352,411	127,549,772	117,806,813	114,780,402	110,445,906
864,588	976,334	2,299,623	462,378	1,068,960	402,116
147,832	143,389	135,020	144,571	132,194	127,726
2,002,324	1,833,833	1,334,412	1,114,838	966,173	1,425,317
946,668	1,116,341	965,890	911,326	585,546	822,509
2,422,566	2,497,263	2,622,700	2,196,637	1,703,281	1,745,879
4,388,325	2,731,049	2,607,633	2,416,250	2,479,415	2,155,053
3,237,931	3,363,936	3,423,109	3,302,653	2,943,316	2,584,789
3,082,181	3,117,158	2,727,787	2,449,364	2,695,192	2,933,850
11,703,876	12,396,400	11,424,010	13,773,429	12,862,868	14,185,310
825,577	2,847,047	2,827,598	1,445,341	2,278,540	178,520
29,621,868	31,022,750	30,367,782	28,216,787	27,715,485	26,561,069
16,015,727	16,068,806	15,460,227	14,144,570	14,042,047	13,430,212
21,283,447	20,710,539	20,533,851	17,838,573	17,642,997	16,924,727
4,805,842	4,942,555	3,088,836	3,201,831	2,764,339	3,380,562
-	-	513,823	450,002	321,190	192,384
21,433	32,284	16,079	-	-	-
42,126,449	41,754,184	39,612,816	35,634,976	34,770,573	33,927,885
71,748,317	72,776,934	69,980,598	63,851,763	62,486,058	60,488,954
(75,265,281)	(76,761,091)	(61,815,949)	(59,194,734)	(58,684,036)	(58,022,552)
(426,454)	185,614	4,246,775	5,239,684	6,389,692	8,065,600
\$ (75,691,735)	\$ (76,575,477)	\$ (57,569,174)	\$ (53,955,050)	\$ (52,294,344)	\$ (49,956,952)

City of San Buenaventura
Changes in Net Position
Last Ten Fiscal Years, Continued
(accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 28,080,259	\$ 22,007,885	\$ 23,498,798	\$ 21,562,198
Sales taxes	21,892,825	19,855,923	19,171,669	19,629,415
Utility users taxes	8,551,487	8,567,922	8,774,360	8,719,232
Transient occupancy taxes	4,449,554	4,044,659	3,435,953	3,468,286
Franchise taxes	3,978,508	3,920,079	3,278,467	2,984,316
Other taxes	3,405,451	2,717,330	2,075,351	2,165,157
Motor vehicle license - intergovernmental unrestricted	56,361	7,903,235	8,342,441	8,194,617
Investment earnings (loss)	(591,869)	711,713	1,136,757	1,859,859
Gain (loss) on sale of assets	-	-	-	-
Other general revenues	-	-	514	113
Transfers	1,533,885	1,537,220	1,823,954	1,999,895
Extraordinary gain on dissolution of RDA	-	20,622,532	-	-
Total governmental activities	71,356,461	91,888,498	71,538,264	70,583,088
Business-type activities:				
Investment income	491,337	489,557	301,096	1,663,987
Transfers	(1,533,885)	(1,537,220)	(1,823,954)	(1,999,895)
Total business-type activities	(1,042,548)	(1,047,663)	(1,522,858)	(335,908)
Total primary government	70,313,913	90,840,835	70,015,406	70,247,180
Change in Net position				
Governmental activities:	419,440	15,937,601	(4,091,320)	(5,305,028)
Business-type activities:	1,682,933	(3,129,907)	(2,554,419)	3,079,501
Total primary government	\$ 2,102,373	\$ 12,807,694	\$ (6,645,739)	\$ (2,225,527)

Source: The Comprehensive Annual Financial Report.

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 21,207,266	\$ 23,783,852	\$ 22,182,764	\$ 20,216,123	\$ 18,800,820	\$ 16,732,650
20,132,921	22,613,278	21,336,603	24,447,868	21,413,725	20,407,600
9,019,829	8,796,097	-	-	-	-
3,707,592	4,078,171	-	-	-	-
3,713,057	2,770,318	-	-	-	-
2,125,750	2,752,235	18,118,646	17,556,734	16,107,077	15,288,753
8,480,754	8,308,227	7,887,568	7,697,659	7,909,188	4,770,850
(3,332,065)	3,329,387	3,976,243	2,568,014	2,330,922	1,266,955
(78,105)	2,960	969	914,131	28,567	142,835
206	885	2,580	62,058	135,399	47,720
1,968,407	1,038,110	86,987	(4,047,284)	(4,703,159)	1,008,775
-	-	-	-	-	-
66,945,612	77,473,520	73,592,360	69,415,303	62,022,539	59,666,138
2,678,368	2,573,463	3,133,456	2,182,407	1,216,607	422,793
(1,968,407)	(1,038,110)	(86,987)	4,047,284	4,703,159	(1,008,775)
709,961	1,535,353	3,046,469	6,229,691	5,919,766	(585,982)
67,655,573	79,008,873	76,638,829	75,644,994	67,942,305	59,080,156
(8,319,669)	712,429	11,776,411	10,220,569	3,338,503	1,643,586
283,507	1,720,967	7,293,244	11,469,375	12,309,458	7,479,618
\$ (8,036,162)	\$ 2,433,396	\$ 19,069,655	\$ 21,689,944	\$ 15,647,961	\$ 9,123,204

City of San Buenaventura
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
General fund:				
Nonspendable	\$ 6,277,330	\$ 6,881,827	\$ 6,630,047	\$ 6,888,290
Restricted	5,492,160	6,205,841	5,260,641	613,989
Committed	14,025,093	14,758,348	15,873,858	16,304,014
Assigned	3,634,193	2,482,567	4,263,791	3,341,324
Unassigned	-	(1,974,802)	-	6,254,052
Reserved	-	-	-	-
Unreserved, designated	-	-	-	-
Unreserved, undesignated	-	-	-	-
Total general fund	\$ 29,428,776	\$ 28,353,781	\$ 32,028,337	\$ 33,401,669
All other governmental funds:				
Nonspendable	\$ 7,499,568	\$ 7,481,021	\$ 7,736,114	\$ 1,894,668
Restricted	29,532,628	29,721,619	28,908,283	34,416,429
Committed	3,481,192	7,117,565	2,758,900	2,548,364
Assigned	6,601,278	5,597,335	8,716,452	10,935,174
Unassigned	(1,476,622)	(1,709,097)	(8,052,579)	(8,268,260)
Reserved	-	-	-	-
Unreserved, designated				
Reported in special revenue funds	-	-	-	-
Reported in capital project funds	-	-	-	-
Unreserved, undesignated:				
Reported in special revenue funds	-	-	-	-
Reported in capital project funds	-	-	-	-
Total all other governmental funds	\$ 45,638,044	\$ 48,208,443	\$ 40,067,170	\$ 41,526,375

The City of Ventura implemented GASB 54 for the fiscal year ended June 30, 2010.

Source: The Comprehensive Annual Financial Report.

Fiscal Year						
2009	2008	2007	2006	2005	2004	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
9,856,595	17,975,245	18,783,034	18,837,506	17,352,143	17,004,738	
19,002,989	19,925,883	24,013,323	24,763,519	28,907,664	26,009,715	
4,374,390	199,613	17,316	3,965,697	2,386,387	4,085,445	
<u>\$ 33,233,974</u>	<u>\$ 38,100,741</u>	<u>\$ 42,813,673</u>	<u>\$ 47,566,722</u>	<u>\$ 48,646,194</u>	<u>\$ 47,099,898</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
15,653,881	16,213,150	15,000,171	19,812,878	25,881,240	35,734,823	
6,134,572	22,025,619	17,575,235	11,956,497	15,385,351	20,801,758	
1,350,390	6,126,887	6,277,234	8,591,515	6,128,690	8,643,217	
20,890,119	6,429,326	12,443,532	13,971,840	9,416,759	7,741,802	
2,811,406	(10,210,981)	(8,769,673)	(11,026,685)	(8,498,950)	(8,998,681)	
<u>\$ 46,840,368</u>	<u>\$ 40,584,001</u>	<u>\$ 42,526,499</u>	<u>\$ 43,306,045</u>	<u>\$ 48,313,090</u>	<u>\$ 63,922,919</u>	

City of San Buenaventura
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
Revenues:				
Taxes	\$ 72,369,887	\$ 62,047,832	\$ 61,612,097	\$ 60,192,659
Licenses and permits	1,589,036	1,479,528	2,103,379	1,466,512
Intergovernmental	7,973,806	15,675,280	15,812,765	15,410,869
Charges for services	9,800,712	10,799,257	9,844,162	9,324,261
Fines and forfeitures	1,396,547	1,539,504	1,634,251	1,867,339
Use of money and property	1,395,183	1,819,529	2,311,668	3,311,893
Other revenues	4,004,586	3,704,070	3,074,872	2,678,112
Total revenues	98,529,757	97,065,000	96,393,194	94,251,645
Expenditures:				
Current:				
General government	2,917,692	3,066,519	2,677,327	3,291,986
Human resources	826,520	914,043	758,217	958,777
Finance and technology	6,760,790	6,429,465	7,305,876	6,364,935
Community development	7,943,318	8,148,331	7,014,408	3,632,431
Parks, Rec & Com Partnerships	12,191,763	12,333,478	11,217,429	6,473,828
Public safety - police	30,307,517	29,464,034	28,255,496	27,887,580
Public safety - fire	16,822,799	16,091,426	14,460,517	17,478,861
Public works	14,278,920	14,147,119	9,679,476	15,529,183
Capital outlays	5,450,977	4,585,131	13,774,000	12,621,513
Debt service:				
Principal retirement	2,805,000	3,780,000	11,255,000	3,235,000
Debt issuance cost	-	298,344	492,589	-
Interest and other charges	1,603,036	2,712,802	4,085,379	3,962,293
Total expenditures	101,908,332	101,970,692	110,975,714	101,436,387
Revenues over (under) expenditures	(3,378,575)	(4,905,692)	(14,582,520)	(7,184,742)
Other financing sources (uses):				
Issuance of certificates of participation	-	17,815,000	20,615,000	-
Payment to refunded bond escrow agent	-	(16,620,000)	-	-
Premium on issuance of debt	-	786,039	1,066,553	-
Payment to refunded bond escrow agent	-	-	(11,728,764)	-
Proceeds from long-term debt	-	-	-	-
Loss on investments	-	-	-	-
Transfers in	10,251,312	13,532,480	10,664,454	11,493,910
Transfers out	(8,368,141)	(10,219,566)	(8,867,260)	(9,455,466)
Total other financing sources (uses)	1,883,171	5,293,953	11,749,983	2,038,444
Extraordinary gain on dissolution of RDA	-	4,078,456	-	-
Net change in fund balances	\$ (1,495,404)	\$ 4,466,717	\$ (2,832,537)	\$ (5,146,298)
Debt service as a percentage of noncapital expenditures	4.6 %	6.6 %	14.6 %	7.6 %

Source: The Comprehensive Annual Financial Report.

Fiscal Year						
	2009	2008	2007	2006	2005	2004
\$	63,653,856	\$ 66,216,070	\$ 66,434,879	\$ 63,438,858	\$ 59,388,852	\$ 55,517,938
	1,004,297	1,429,502	1,880,019	1,780,881	1,579,719	1,337,911
	14,533,194	17,710,064	16,011,106	14,339,327	15,485,211	10,541,690
	11,869,844	9,896,330	8,987,034	9,029,969	7,287,355	7,736,141
	2,226,912	1,945,958	1,865,739	1,802,109	1,820,848	1,734,950
	5,432,453	6,071,537	6,395,623	6,152,912	4,127,490	3,355,993
	3,016,857	4,303,991	4,420,729	3,257,395	4,844,575	3,672,874
	101,737,413	107,573,452	105,995,129	99,801,451	94,534,050	83,897,497
	4,701,884	7,698,414	8,276,104	6,707,261	5,706,403	3,964,093
	1,952,090	1,923,705	1,867,800	2,597,156	2,402,167	2,163,885
	6,499,052	4,741,342	4,357,976	4,039,047	4,308,317	4,117,355
	4,432,927	7,302,655	4,284,899	3,249,855	3,360,216	2,953,387
	6,608,893	6,612,536	6,066,137	5,780,510	5,825,207	5,575,664
	30,576,837	29,429,286	27,504,321	27,560,257	26,243,467	24,352,859
	19,398,973	18,391,152	16,505,456	15,816,543	15,828,561	14,878,097
	16,967,429	17,223,138	15,494,191	14,638,986	13,964,871	13,205,851
	11,156,906	18,305,935	18,894,966	14,167,948	21,175,816	22,230,168
	2,845,000	4,573,857	2,885,689	2,864,960	2,748,074	2,371,232
	-	-	-	-	-	-
	3,787,781	9,048,333	4,199,188	4,382,321	4,174,214	4,130,575
	108,927,772	125,250,353	110,336,727	101,804,844	105,737,313	99,943,166
	(7,190,359)	(17,676,901)	(4,341,598)	(2,003,393)	(11,203,263)	(16,045,669)
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	8,785,000	9,413,899	-	-	-	-
	(4,943,206)	-	-	-	-	-
	20,335,387	11,892,935	18,084,380	10,686,822	16,914,994	13,465,071
	(15,597,222)	(10,798,959)	(19,275,377)	(14,769,946)	(19,775,264)	(12,471,296)
	8,579,959	10,507,875	(1,190,997)	(4,083,124)	(2,860,270)	993,775
	-	-	-	-	-	-
\$	1,389,600	(7,169,026)	(5,532,595)	(6,086,517)	(14,063,533)	(15,051,894)
	6.5 %	12.3 %	8.4 %	9.0 %	8.9 %	9.1 %

City of San Buenaventura
Assessed Value of Taxable Property
Fiscal Year 2004 to 2013 Taxable Property Values

<u>Category</u>	<u>Fiscal Year</u>			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Secured:				
Residential	\$ 8,889,591,482	\$ 8,960,488,147	\$ 8,901,964,312	\$ 8,906,419,037
Commercial	1,583,972,916	1,576,759,964	1,635,086,343	1,601,884,508
Industrial	809,194,746	800,089,165	805,913,288	810,498,262
Dry Farm	897,028	879,444	872,893	969,027
Govt. Owned	316,460	18,000	-	-
Institutional	22,209,321	20,096,357	14,746,476	14,278,714
Irrigated	13,173,153	12,148,738	8,597,832	7,850,105
Miscellaneous	26,647,551	28,538,789	28,460,965	27,580,331
Recreational	38,547,042	38,133,134	38,154,180	38,110,075
Vacant	103,255,783	110,286,121	106,020,696	122,719,985
Unknown	10,621,173	11,512,475	-	-
Total Secured:	11,498,426,655	11,558,950,334	11,539,816,985	11,530,310,044
SBE Nonunitary	439,241	439,241	439,241	659,229
Unsecured	558,804,441	555,119,230	562,632,304	619,749,174
TOTALS	\$ 12,057,670,337	\$ 12,114,508,805	\$ 12,102,888,530	\$ 12,150,718,447
Total Direct Rate	0.18807	0.18861	0.18973	0.19032

Notes:

This table has been revised in FY 2013, using the report provided by HdL.

In the prior years, the numbers in this table were derived from the Assessment Roll by Prime, which was provided by the Ventura County Assessor's Office.

Exempt values are not included in Total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed.

Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Data Source: Ventura County Assessor FY 2003/04 - 2012/13 Combined Tax Rolls

This report was compiled by HdL, Coren & Cone

Fiscal Year					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 9,311,187,001	\$ 9,069,270,263	\$ 8,399,778,007	\$ 7,534,740,293	\$ 6,725,308,225	\$ 6,170,882,436
1,606,308,615	1,492,221,860	1,342,084,461	1,254,060,283	1,178,438,811	1,097,128,883
796,369,102	734,768,680	684,786,756	618,087,315	595,570,371	551,348,799
950,030	915,899	897,943	649,819	645,060	640,703
10,710,000	348,805	35,240,391	1,657,248	1,682,527	1,651,842
15,425,998	15,249,964	17,189,841	17,968,449	13,162,788	13,100,830
7,818,787	8,630,639	8,544,782	8,562,799	7,455,577	6,963,750
24,990,684	23,144,967	22,746,343	21,467,633	17,914,671	15,819,214
40,579,346	47,559,998	39,441,725	38,869,874	38,526,538	38,276,039
104,745,016	85,238,768	81,115,477	80,695,701	106,479,822	74,341,519
-	4,080	4,000	-	104,216	-
11,919,084,579	11,477,353,923	10,631,829,726	9,576,759,414	8,685,288,606	7,970,154,015
659,229	659,229	1,078,448	1,207,227	1,363,335	1,207,022
592,995,509	597,490,896	571,679,436	548,508,549	519,386,103	491,184,868
\$ 12,512,739,317	\$ 12,075,504,048	\$ 11,204,587,610	\$ 10,126,475,190	\$ 9,206,038,044	\$ 8,462,545,905
0.18973	0.18913	0.18731	0.18666	0.18553	0.18387

City of San Buenaventura
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of taxable value)

Agency	Fiscal Year			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Basic Levy ⁽¹⁾	1.00000	1.00000	1.00000	1.00000
Casitas Muni Water	0.00438	0.01688	0.01871	0.01358
Mesa Elementary	0.05110	0.05350	0.05200	0.04680
Oxnard Elementary	0.08510	0.09370	0.09690	0.09810
Oxnard High School	0.01990	0.01740	0.02820	0.01090
Rio Elementary	0.02890	0.03040	0.03070	0.02930
Ventura Community College Board	0.01910	0.01400	0.01510	0.01390
Ventura Unified	0.03190	0.03310	0.03240	0.03320
Total Direct & Overlapping ⁽²⁾ Tax Rates	1.24038	1.25898	1.27401	1.24578
City's Share of 1% Levy per Prop 13 ⁽³⁾	0.16381	0.16381	0.16381	0.16381
Total Direct Rate ⁽⁴⁾	0.18807	0.18861	0.18973	0.19032

⁽¹⁾ In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

⁽²⁾ Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

⁽³⁾ City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

⁽⁴⁾ Because basic and debt rates vary by tax rate area, individual rates cannot be summed. The Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

Note:

This table had been revised in FY 2013, using the report provided by HdL. In the prior years, the numbers were calculated from the Direct and Overlapping Debt report that was compiled by the California Municipal Statistics, Inc.

Data Source: Ventura County Assessor FY 2003/04 - 2012/13
This report was compiled by HdL, Coren & Cone

Fiscal Year

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.01938	0.01235	0.01243	0.01399	0.01593	0.01808
0.04700	0.02310	0.02360	0.02510	0.02610	0.03850
0.08720	0.08270	0.06090	0.06910	0.08630	0.09120
0.01000	0.00980	0.01070	0.01220	0.01450	0.01330
0.02760	0.02860	0.03080	0.03450	0.03960	0.04740
0.01520	0.00500	0.01270	0.01300	0.01300	0.01660
0.03130	0.03230	0.03650	0.03800	0.04060	0.04600
1.23768	1.19385	1.18763	1.20589	1.23603	1.27108
0.16381	0.16381	0.16381	0.16381	0.16381	0.16381
0.18973	0.18913	0.18731	0.18666	0.18553	0.18387

**City of San Buenaventura
Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	2013		2004	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
ASN Ventura LLC	\$ 124,241,261	1.08%		
Macerich Buenaventura, LTD	85,278,310	0.74%	71,055,619	0.89%
NRFC Ventura Holdings LLC	83,122,363	0.72%		
Raintree Ventura Colony LLC	53,163,700	0.46%		
Montalvo Shopping Center	46,225,800	0.40%		
Ventura Pines Associates, LLC	42,697,930	0.37%	21,443,557	0.27%
Ventura Gateway LLC	36,276,503	0.32%		
County Center Ltd.	33,964,158	0.30%	20,674,791	0.26%
Program 87A Limited	31,964,560	0.28%	26,494,204	0.33%
Time Warner NY Cable LLC	2,200,000	0.02%		
Weston Co. Ventura Apts.			38,066,280	0.48%
Archstone Communities Trust			31,474,272	0.39%
May Department Stores Co.			27,695,914	0.35%
Telephone & Main Assoc. LLC.			23,883,416	0.30%
Sears Roebuck & Co.			22,710,057	0.28%
Victoria Land Partners			20,175,896	0.25%
Top Ten Total	\$ 539,134,585	4.69%	\$ 303,674,006	3.81%
City Total	\$ 11,498,865,896		\$ 7,971,361,037	

Data Source: Ventura County Assessor 2012/13 and 2003/04 Combined Tax Rolls
This report was provided by HdL Companies.

City of San Buenaventura
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of Levy		Collections in Subsequent Years ²	Total Collections To-Date	
		Amount	Percent of Levy		Amount ²	Percent of Levy
2004	\$ 14,679,933	\$ 14,549,118	99.11%	\$ 55,629	\$ 14,604,747	99.49%
2005	16,188,791	16,103,883	99.48%	39,942	16,143,825	99.72%
2006	17,598,566	17,226,875	97.89%	46,130	17,273,005	98.15%
2007	19,687,798	18,946,723	96.24%	59,258	19,005,981	96.54%
2008	20,806,443	19,969,645	95.98%	92,015	20,061,660	96.42%
2009	21,360,643	20,751,346	97.15%	174,888	20,926,234	97.97%
2010	20,369,228	17,640,817	86.61%	171,406	17,812,223	87.45%
2011	20,255,387	19,794,163	97.72%	103,915	19,898,078	98.24%
2012	20,317,140	20,026,521	98.57%	113,105	20,139,626	99.13%
2013	20,222,166	19,978,450	98.79%	106,312	20,084,762	99.32%

Source: ¹ Ventura County Assessor's Office

² Finance and Technology Department, City of San Buenaventura

City of San Buenaventura
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Total Governmental Activities ⁽¹⁾	Wastewater Revenue Bonds
	Certificates of Participation	Capital Leases	Loans		
2004	\$ 52,635,000	\$ -	\$ 7,963,812	\$ 60,598,812	\$ 6,750,721
2005	50,760,000	-	7,312,580	58,072,580	24,569,447
2006	48,825,000	-	6,852,506	55,677,506	24,019,430
2007	46,830,000	-	6,151,224	52,981,224	23,444,413
2008	55,780,000	-	5,806,898	61,586,898	22,859,395
2009	53,190,000	708,769	1,922,830	55,821,599	22,254,376
2010	50,500,000	531,577	1,844,206	52,875,783	21,634,359
2011	49,055,000	354,384	1,762,069	51,171,453	20,989,341
2012	47,275,000	177,192	1,676,262	49,128,454	20,319,323
2013	44,470,000	-	430,673	44,900,673	20,022,300

⁽¹⁾ The Total is different from prior year CAFRs due to the elimination of the Tax Allocation Bonds, which was no longer applicable as the Redevelopment Agency ceased to exist as of January 31, 2012. In addition, Capital Leases have been added to this table.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: The Comprehensive Annual Financial Report.

Business-Type Activities						
Water	Safe		Total	Total	Percentage	Debt
Revenue	Drinking	Capital	Business-Type	Primary	of Personal	Per
Bonds	Water Loan	Leases	Activities	Government	Income	Capita
\$ 26,871,342	\$ -	\$ -	\$ 33,622,063	\$ 94,220,875	3.46%	966
26,023,027	-	-	50,592,474	108,665,054	3.84%	1099
25,549,712	13,156,599	-	62,725,741	118,403,247	4.10%	1194
25,056,399	20,000,000	581,038	69,081,850	122,063,074	4.04%	1213
24,548,084	19,209,485	338,091	66,955,055	128,541,953	3.88%	1235
24,029,771	18,399,964	143,531	64,827,642	120,649,241	4.07%	1286
23,491,458	17,987,933	-	63,113,750	115,989,533	3.64%	1186
22,933,142	17,149,042	-	61,071,525	112,242,978	3.53%	1151
22,354,827	16,289,983	-	58,964,133	108,092,587	3.18%	996
49,422,510	15,410,269	-	84,855,079	129,755,752	3.86%	1198

City of San Buenaventura
Direct and Overlapping Debt
June 30, 2013

2012-13 Assessed Valuation:		\$ 12,046,321,313	
	Total Debt 6/30/2013	Percentage Applicable ⁽¹⁾	City's Share of Debt 6/30/2013
OVERLAPPING TAX AND ASSESSMENT DEBT			
Ventura County Community College District	\$ 308,659,326	11.520%	\$ 35,557,554
Ventura Unified School District	62,200,000	79.895%	49,694,690
Oxnard Union High School District	91,662,016	0.013%	11,916
Mesa Union School District	7,490,000	0.220%	16,478
Oxnard School District	152,703,139	0.018%	27,487
Rio School District	14,765,000	0.012%	1,761
Total Overlapping Tax and Assessment Debt			85,309,886
OVERLAPPING GENERAL FUND DEBT:			
Ventura County General Fund Obligations	388,450,000	11.516%	44,733,902
Ventura County Superintendent of Schools Certificates of Participation	11,510,000	11.516%	1,325,492
Ventura Unified School District Certificates of Participation	3,310,000	79.895%	2,644,525
Oxnard Union High School District Certificates of Participation	7,680,000	0.013%	998
Oxnard School District Certificates of Participation	4,845,100	0.018%	872
Rio School District Certificates of Participation	7,420,000	0.012%	890
Total Overlapping General Fund Debt			48,706,679
DIRECT DEBT:			
Certificates of Participation - 2007 Series E			8,760,000
Certificates of Participation - 2010 Series F			17,895,000
Certificates of Participation - 2012 Series A			16,450,000
Certificates of Participation - 2012 Series B			1,365,000
Sub-Total City of San Buenaventura General Fund Obligations			44,470,000
California Energy Commission 2004 Loan			111,876
Energy Resources Conservation and Dev Com 2012			318,797
Sub-Total Loans			430,673
Total Direct Debt			44,900,673
Total Direct and Overlapping General Fund Debt			93,607,352
Overlapping Tax Increment Debt(Successor Agency):			14,030,000
TOTAL OVERLAPPING DEBT			148,046,565
COMBINED TOTAL DEBT			\$ 154,551,515 ⁽²⁾
Ratios to 2012-13 Assessed Valuation:			
Total Overlapping Tax and Assessment Debt	0.71%		
Total Direct Debt (\$44,470,000)	0.37%		
Combined Total Debt	1.60%		

⁽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 and non-bonded capital lease obligations.

Note: Direct debt details can be found in the notes to the financial statements.

City of San Buenaventura
Legal Debt Margin Information
Last Ten Fiscal Years

Fiscal Year Ended June 30	(2) Assessed Valuation	Conversion Percentage	Adjusted Assessed Valuation	Debt Limit Percentage	Debt Limit	(1) Total Net Debt Applicable to Limit: General		Total Debt Applicable to the Limit as a Percentage of Debt Limit
						Obligation Bonds	Legal Debt Margin	
2004	\$ 9,579,866,892	25%	\$ 2,394,966,723	15%	\$ 359,245,008	-	\$ 359,245,008	0%
2005	10,514,075,917	25%	2,628,518,979	15%	394,277,847	-	394,277,847	0%
2006	11,616,549,581	25%	2,904,137,395	15%	435,620,609	-	435,620,609	0%
2007	11,204,644,465	25%	2,801,161,116	15%	420,174,167	-	420,174,167	0%
2008	12,071,967,113	25%	3,017,991,778	15%	452,698,767	-	452,698,767	0%
2009	12,510,994,901	25%	3,127,748,725	15%	469,162,309	-	469,162,309	0%
2010	12,144,316,207	25%	3,036,079,052	15%	455,411,858	-	455,411,858	0%
2011	12,094,107,122	25%	3,023,526,781	15%	453,529,017	-	453,529,017	0%
2012	12,104,792,837	25%	3,026,198,209	15%	453,929,731	-	453,929,731	0%
2013	12,046,321,313	25%	3,011,580,328	15%	451,737,049	-	451,737,049	0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Each parcel is assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: (1) Finance and Technology Department, City of San Buenaventura
(2) Ventura County Tax Assessor's Office

City of San Buenaventura
Pledged Wastewater Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Wastewater Fund Revenue Bonds					Coverage
	Operating Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2004	\$ 13,430,212	\$ 8,563,847	\$ 4,866,365	\$ 470,000	\$ 408,768	5.54
2005	14,042,047	8,762,928	(1) 5,279,119	495,000	1,042,147	3.43
2006	14,144,570	8,708,803	(1) 5,435,767	625,000	1,108,375	3.14
2007	15,460,227	10,303,591	(1) 5,156,636	650,000	1,092,750	2.96
2008	16,068,806	11,288,545	(1) 4,780,261	660,000	1,076,500	2.75
2009	16,015,727	10,389,969	(1) 5,625,758	680,000	1,060,000	3.23
2010	16,978,451	10,818,322	(1) 6,160,129	695,000	1,039,599	3.55
2011	16,326,078	12,829,173	(1) 3,496,905	720,000	1,018,750	2.01
2012	17,221,369	14,356,162	2,865,207	745,000	993,550	1.65
2013	19,143,024	11,807,006	7,336,018	775,000	965,612	4.21

(1) The Operating Expenses inadvertently included depreciation in the prior year statistical tables.
 Since FY 2012, this table was corrected to properly reflect the correct expense and coverage ratio.

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
 Operating expenses do not include interest or depreciation expenses.

Source: Finance and Technology Department, City of San Buenaventura

City of San Buenaventura
Pledged Water Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Fund Revenue Bonds					
	Operating Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	\$ 16,924,727	\$ 10,981,192 ⁽¹⁾	\$ 5,943,535	\$ 880,000	\$ 1,202,325	2.85
2005	17,642,997	12,154,573 ⁽¹⁾	5,488,424	880,000	1,347,666	2.46
2006	17,838,573	12,817,841 ⁽¹⁾	5,020,732	505,000	1,181,550	2.98
2007	20,549,930	13,106,807 ⁽¹⁾	7,443,123	525,000	1,166,100	4.40
2008	20,742,823	14,464,514 ⁽¹⁾	6,278,309	540,000	1,151,475	3.71
2009	21,304,880	14,600,419 ⁽¹⁾	6,704,461	550,000	1,136,475	3.98
2010	21,844,750	15,777,292 ⁽¹⁾	6,067,458	570,000	1,118,963	3.59
2011	20,946,374	15,103,751 ⁽¹⁾	5,842,623	590,000	1,099,375	3.46
2012	22,371,438	17,128,731	5,242,707	610,000	1,078,375	3.11
2013	25,375,574	19,771,085	5,604,489	630,000	1,055,888	3.32

(1) The Operating Expenses inadvertently included depreciation in the prior year statistical tables.
 Since FY 2012, this table was corrected to properly reflect the correct expense and coverage ratio.

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
 Operating expenses do not include interest or depreciation expenses.

Source: Finance and Technology Department, City of San Buenaventura

City of San Buenaventura
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2004 ⁽¹⁾	105,145	\$ 2,938,698	\$ 27,949	5.8%
2005 ⁽¹⁾	105,558	3,016,953	28,581	5.2%
2006 ⁽¹⁾	104,912	3,056,401	29,133	4.8%
2007 ⁽¹⁾	105,919	3,178,417	30,008	4.3%
2008 ⁽¹⁾	106,360	3,385,439	31,830	5.2%
2009 ⁽¹⁾	105,226	3,325,036	31,599	5.2%
2010 ⁽²⁾	108,687	3,586,988	32,625	9.0%
2011 ⁽²⁾	109,946	3,218,449	29,273	9.8%
2012 ⁽²⁾	107,166	3,352,367	31,282	9.1%
2013 ⁽²⁾	108,294	3,361,987	31,045	6.2%

(1) Source prior to FY 2010: Ventura City Economic Outlook by the UCSB Economic Forecast Project

(2) Source from FY 2010 and after: HdL Companies

City of San Buenaventura
Full-time City Employees
by Function
Last Ten Fiscal Years

Adopted Full-Time (FTE) Employees as of June 30th										
<u>Function</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Government	15	15	14	18	26	25	25	23	17	17
Human Resources	12	12	13	13	13	13	13	13	12	11
Finance and Technology	48	48	46	46	48	51	51	51	50	50
Community Development	47	47	47	29	34	35	35	34	34	30
Parks, Recreation & Community Partnerships	56	56	62	32	32	33	32	32	37	36
Public Safety - Police	165	160	161	172	185	181	176	179	184	182
Public Safety - Fire	83	83	74	104	112	111	108	106	105	103
Public Works	82	82	178	218	227	224	218	224	229	228
Ventura Water	99	99	-	-	-	-	-	-	-	-
Total	<u>607</u>	<u>602</u>	<u>595</u>	<u>632</u>	<u>676</u>	<u>673</u>	<u>657</u>	<u>660</u>	<u>667</u>	<u>657</u>

Source: Finance and Technology Department, City of San Buenaventura

City of San Buenaventura
Principal Employers
Current Year and Nine Years Ago

Employer ⁽¹⁾	2010		2001	
	Number of Employees	Percent of Total City Employment ⁽²⁾	Number of Employees	Percent of Total City Employment
County of Ventura	7,991	35.29%	7,500	---
Ventura County Health Care Agency	2,493	11.01%	1,820	---
Ventura Unified School District	1,916	8.46%	2,342	---
Ventura County Community College	1,913	8.45%	2,000	---
Community Memorial Health System	1,881	8.31%	1,440	---
Argon St Inc	990	4.37%	---	---
City of San Buenaventura	595	2.74%	650	---
Employer's Depot Inc.	550	2.43%	---	---
Meditech Health Services Inc.	400	1.77%	---	---
Judicial Council of California	370	1.63%	---	---

Note: This table shows the most current information available. The City does not have data after FY 2010.

(1) Principal employers are located within City limits.

(2) Percent of "Total Employment" as used above represents the total employment of all employers located within City limits.

Source: Ventura City Economic Outlook by the UCSB Economic Forecast Project

City of San Buenaventura
Investment Portfolio Statistics
Last Ten Fiscal Years

Year ended June 30	City		Trustee - Debt Financing Reserves	
	Average Portfolio	Average Effective Rate of Return	Average Portfolio	Average Effective Rate of Return
2004	\$ 140,789,775	2.61%	\$ 42,722,911	2.54%
2005	137,034,504	2.56%	53,012,582	2.62%
2006	138,953,579	3.30%	52,508,444	2.91%
2007	141,555,410	4.11%	37,076,372	3.90%
2008	140,351,262	4.63%	30,318,080	3.85%
2009	135,394,186	3.62%	26,498,280	3.70%
2010	134,577,573	2.09%	21,328,504	1.74%
2011	121,893,067	1.61%	29,625,916	0.63%
2012	113,479,757	-2.56%	10,272,502	1.19%
2013	128,812,083	0.79%	6,935,625	0.90%

Source: Finance and Technology Department, City of San Buenaventura

City of San Buenaventura
Operating Indicators
by Function
Last Ten Fiscal Years

	Fiscal Years									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police:										
Arrests (number of persons)	4,708	5,141	5,473	5,751	6,009	5,772	5,633	5,400	5,314	5,483
Parking citations issued	11,986	11,531	10,304	12,830	12,768	12,981	12,597	9,690	13,478	10,624
Fire:										
Number of emergency calls	12,646	12,115	11,506	11,662	11,607	11,343	10,655	9,990	9,986	9,213
Inspections	12,009	10,981	11,151	14,807	15,638	17,999	21,697	25,083	25,440	20,209
Public works:										
Street resurfacing (lane miles)	38	72	91	26	63	60	36	45	109	51
Parks, Rec & Com Partnerships⁽¹⁾:										
Number of participants in fee-based programs	16,350	15,793	14,538	15,015	15,828	17,706	17,421	17,821	--	--
Number of visitors to Aquatics Ctr	172,346	154,421	129,457	122,835	119,364	111,740	45,182	--	--	--
Annual Community Volunteer Hrs	40,123	38,950	36,452	40,605	41,675	41,333	--	--	--	--
Water:										
Total system connections	30,680	30,370	30,311	30,289	30,279	30,222	30,199	29,929	29,420	29,420
Average daily consumption (million gallons per day)	13.3	12.9	12.2	13.1	13.9	15.0	15.9	14.1	15.2	14.8
Wastewater:										
Total system connections	25,183	25,254	25,197	25,178	25,163	25,131	25,115	24,865	24,475	24,475
Average daily sewage treatment (million gallons per day)	8.3	8.6	8.8	8.8	8.6	8.5	9.4	9.4	9.3	9.4
Golf courses:										
Buenaventura golf rounds played	64,666	63,983	66,569	68,522	65,254	67,895	77,507	77,650	65,929	23,086 ⁽³⁾
Olivas Park golf rounds played	59,093	60,680	59,879	65,387	61,422	54,078	11,670	- ⁽²⁾	57,656	88,902

(1) Beginning FY 2013, performance measures are being used to track operating indicators for Parks, Rec & Com Partnerships. The sign "--" shows data not available for that time period.

(2) Olivas Park Golf Course was closed for renovation from October 2005 to May 17, 2007.

(3) Buenaventura Golf Course was closed for renovation from May 16, 2004 to March 17, 2005.

Source: City of San Buenaventura

City of San Buenaventura
Capital Assets Statistics
by Function
Last Ten Fiscal Years

	Fiscal Years									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police:										
Station	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	6	6	6	6	6	6	6	6	6	6
Public works:										
Street (miles)	297	297	297	297	294	294	294	294	294	294
Streetlights	1,122	1,058	1,058	1,058	1,058	1,058	1,058	1,058	1,058	1,058
Traffic signals	133	133	133	133	132	132	132	132	132	132
Parks, Rec & Com Partnerships:										
Parks	33	33	33	33	33	33	33	26	26	26
Community centers	4	4	4	4	3	3	3	3	3	3
Water:										
Water mains (miles)	380	380	380	380	500	500	500	500	400	400
Maximum daily capacity (million gallons per day)	30	30	30	30	30	30	30	30	30	30
Wastewater:										
Sanitary sewers (miles)	300	290	290	290	475	475	475	475	475	475
Storm sewers (miles)	100	100	100	100	310	310	310	310	310	310
Maximum daily treatment capacity (million gallons per day)	14	14	14	14	14	14	14	14	14	14
Golf course:										
Municipal golf courses	2	2	2	2	2	2	2	2	2	2

Source: City of San Buenaventura

City of San Buenaventura
Wastewater Service Rates
Last Ten Fiscal Years

Fiscal Year Ended June 30	Wastewater Volume Rates Per Hundred Cubic Feet (HCF)							(1) Non- Residential
	Residential							
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6		
2003	\$ 23.67	\$ 29.04	\$ 34.40	\$ 39.76	\$ 45.12	\$ 50.48	\$ 15.20	
2004	24.14	29.62	35.09	40.56	46.02	51.49	17.63	
2005	25.11	30.81	36.49	42.18	47.86	53.55	16.12	
2006	26.49	32.50	38.50	44.50	50.49	56.50	17.01	
2007	27.55	33.80	40.04	46.28	52.51	58.76	17.70	
2008	30.00	36.98	43.78	50.57	57.36	64.16	13.95	
2009	32.04	39.50	46.75	54.01	61.26	68.52	14.90	
2010	34.27	42.24	50.00	57.76	65.51	73.27	16.07	
2011	34.27	42.24	50.00	57.76	65.51	73.27	16.07	
2012	34.27	42.24	50.00	57.76	65.51	73.27	16.07	
2013	31.00	44.35	57.70	71.05	84.40	97.75	42.69	

NOTE:

1 HCF = 748 gallons

The City bills bi-monthly and by hundred cubic feet (HCF).

Rates are based on 3/4" meter, which is the standard household meter size.

The tier structure is in place to encourage wastewater conservation by customers.

(1) Commercial Group 1 (1-8 HCF)

Source: Ventura Water Department

City of San Buenaventura
Top Ten Wastewater Service Customers
Current Year and Nine Years Ago

Wastewater Service Customers By Type of Business	2012		2003	
	Total Payments	Percent of Total Wastewater System Service Charge Revenues	Total Payments	Percent of Total Wastewater System Service Charge Revenues
Hospital	\$ 182,677	1.11%	\$ 129,276	1.02%
Multifamily Apartments	120,300	0.73%	---	---
Multifamily Apartments	119,217	0.72%	---	---
Commercial	110,638	0.67%	51,984	0.41%
Government	107,463	0.65%	56,772	0.45%
Multifamily Apartments	97,730	0.59%	70,452	0.56%
Hospital	95,376	0.58%	---	---
Multifamily Apartments	94,245	0.57%	---	---
Educational	85,557	0.52%	---	---
Multifamily Apartments	80,402	0.49%	---	---
	\$ 1,093,605	6.63%	\$ 308,484	2.44%

Note:

FY 2012 is the most recent data available.

This schedule previously presented the top 10 wastewater customers of the City. Ventura Water staff has interpreted the Red Flags Rules to prohibit the disclosure of any customer information, including name and payment information from all outside reports. Accordingly, the customer names have been replaced with the type of customer for each of these accounts.

Source: Ventura Water Department

City of San Buenaventura
Water Sold by Type of Customer
Last Ten Fiscal Years
(in Hundred Cubic Feet)

Fiscal Year Ended June 30	HCF by Type of Customer						Total Direct Rate per HCF
	Residential	Commercial	Industrial	Municipal	Other	Total HCF	
2004	4,757,729	1,602,611	101,379	188,047	900,914	7,550,680	2.17
2005	4,800,912	1,701,385	70,985	178,051	968,369	7,719,702	2.15
2006	4,510,956	1,508,515	63,691	201,674	797,963	7,082,799	2.40
2007	5,157,275	1,676,746	83,423	251,689	849,979	8,019,112	2.40
2008	4,918,824	1,584,420	73,926	270,013	772,258	7,619,441	2.67
2009	4,688,698	1,518,433	50,373	262,832	423,340	6,943,676	3.07
2010	4,507,579	1,358,768	27,980	215,015	386,140	6,495,482	3.36
2011	4,330,911	1,326,449	29,763	194,651	208,416	6,090,190	3.44
2012	4,709,279	1,509,212	31,881	213,595	395,058	6,859,025	3.26
2013	4,577,218	1,649,706	26,189	301,278	304,412	6,858,803	3.70

Note:
1 HCF (hundred cubic feet) = 748 gallons

Source: Ventura Water Department

City of San Buenaventura
Water Rates
Last Ten Fiscal Years

Water Volume Rates Per Hundred Cubic Feet (HCF)						
Fiscal Year Ended June 30	Bi-Monthly Service Charge Base Rate	Residential			Non-Residential	
		Single Family HCF 1-16	Single Family HCF 17-42	Single Family HCF 43+		
		Multiple Family HCF 1-10	Multiple Family HCF 11-24	Multiple Family HCF 25+		
2004	8.69	1.41	1.87	3.00	1.87	
2005	9.40	1.53	2.02	3.24	2.02	
2006	9.82	1.60	2.11	3.39	2.11	
2007	10.22	1.67	2.20	3.53	2.20	
2008	11.14	1.82	2.40	3.85	2.40	
2009	12.94	1.91	2.52	4.04	2.52	
2010	15.03	2.02	2.66	4.27	2.66	
2011	15.03	2.02	2.66	4.27	2.66	
2012	15.03	2.02	2.66	4.27	2.66	

Fiscal Year Ended June 30	Bi-Monthly Service Charge Base Rate	Residential			Non-Residential
		Single Family HCF 1-14	Single Family HCF 15-30	Single Family HCF 30 +	
		Multiple Family HCF 0-10	Multiple Family HCF 11-16	Multiple Family HCF 16+	
2013*	23.14	1.98	2.69	4.41	2.48

NOTE:

1 HCF = 748 gallons

The City bills bi-monthly and by hundred cubic feet (HCF).

Rates are based on 3/4" meter, which is the standard household meter size.

The tier structure is in place to encourage water conservation by customers.

* The rate structure changed during FY 2013.

Source: Ventura Water Department

City of San Buenaventura
Top Ten Water System Customers
Current Year and Nine Years Ago

Water System Customers By Type of Business	2012		2003	
	Total Payments	Percent of Total Water Sales Revenues and Service Charges	Total Payments	Percent of Total Water Sales Revenues and Service Charges
Commercial	\$ 232,107	1.08%	\$ 129,276	1.02%
Hospital	182,801	0.85%	---	---
Commercial	153,711	0.72%	---	---
Government	133,740	0.62%	51,984	0.41%
Commercial	127,896	0.59%	56,772	0.45%
Hospital	125,056	0.58%	70,452	0.56%
Multifamily Apartments	93,087	0.43%	---	---
Multifamily Apartments	83,907	0.39%	---	---
Multifamily Apartments	77,180	0.36%	---	---
Multifamily Apartments	71,780	0.34%	---	---
	\$ 1,281,265	5.96%	\$ 308,484	2.44%

Note:

FY 2012 is the most recent data available.

This schedule previously presented the top 10 water customers of the City. Ventura Water staff has interpreted the Red Flags Rules to prohibit the disclosure of any customer information, including name and payment information from all outside reports. Accordingly, the customer names have been replaced with the type of customer for each of these accounts.

Source: Ventura Water Department

City of San Buenaventura
Annual Continuing Disclosure Requirements
Summary of All Certificates of Participations
For the year ended June 30, 2013

San Buenaventura Public Facilities Financing Authority Summary of All Issues:

<u>Amount Outstanding</u>	<u>General Fund</u>
\$ 8,760,000	2007 Refunding Certificates of Participation, Series E, \$11,420,000
17,895,000	2010 Refunding Certificates of Participation, Series F, \$20,615,000
16,450,000	2012 Refunding Certificates of Participation, Series A, \$16,450,000
1,365,000	2012 Refunding Certificates of Participation, Series B, \$1,365,000
	<u>Wastewater Fund</u>
2,560,000	2012 Taxable Wastewater Revenues Refunding Bonds, Series A
15,915,000	2012 Wastewater Revenue Refunding Bonds, Series B
	<u>Water Fund</u>
11,095,000	2012 Taxable Water Certificates of Participation, Series A
34,355,000	2012 Water Certificates of Participation, Series B

Source: Finance and Technology Department, City of San Buenaventura

City of San Buenaventura

Annual Continuing Disclosure Requirements, Continued

2012 Taxable Wastewater Revenues Refunding Bonds, Series A & B

For the year ended June 30, 2013

WASTEWATER SYSTEM				
NINE-YEAR HISTORIC OPERATING RESULTS				
FISCAL YEAR ENDED JUNE 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
REVENUES				
Service Charges and Sale Revenues	\$ 19,143,024	\$ 17,221,369	\$ 16,326,078	\$ 16,978,451
Transfers In	251,023	-	-	18,690
Gain on Sale of Assets		-	-	-
Investment Income	206,284	288,448	225,582	1,104,443
TOTAL REVENUES	19,600,331	17,509,817	16,551,660	18,101,584
OPERATION AND MAINTENANCE EXPENSE ⁽¹⁾	11,807,006	14,356,162	12,829,173	10,818,322
NET REVENUES	7,793,325	3,153,655	3,722,487	7,283,262
DEBT SERVICE				
1996 Bonds ⁽²⁾	-	-	-	-
2004 COP ⁽³⁾	160,935	1,738,550	1,738,750	1,734,599
2012 COP	430,622	-	-	-
TOTAL DEBT SERVICE	591,557	1,738,550	1,738,750	1,734,599
DEBT SERVICE COVERAGE	13.17	1.81	2.14	4.20
NET REVENUES AVAILABLE FOR SUBORDINATE DEBT SERVICE	\$ 7,201,768	\$ 1,415,105	\$ 1,983,737	\$ 5,548,663

(1) Excludes depreciation and bond amortization.

(2) 1996 Sewer Revenue Refunding Bonds were refinanced into 2004 Wastewater Revenue Certificates of Participation on Dec. 1, 2004.

(3) 2004 Wastewater Revenue Certificates were refunded into 2012 Taxable Wastewater Revenues Refunding Bonds, Series A & B in November 2012.

Source: The Comprehensive Annual Financial Report.

**WASTEWATER SYSTEM
NINE-YEAR HISTORIC OPERATING RESULTS
FISCAL YEAR ENDED JUNE 30**

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 16,015,727	\$ 16,068,806	\$ 15,460,227	\$ 14,144,570	\$ 14,042,047
109,519	-	-	7,003	56,789
-	-	-	-	-
1,771,660	1,734,356	1,797,241	1,513,379	574,053
<u>17,896,906</u>	<u>17,803,162</u>	<u>17,257,468</u>	<u>15,664,952</u>	<u>14,672,889</u>
10,389,969	11,288,545	10,303,591	8,708,803	8,762,928
<u>7,506,937</u>	<u>6,514,617</u>	<u>6,953,877</u>	<u>6,956,149</u>	<u>5,909,961</u>
-	-	-	-	880,738
1,740,000	1,736,500	1,742,750	1,733,375	230,911
-	-	-	-	-
<u>1,740,000</u>	<u>1,736,500</u>	<u>1,742,750</u>	<u>1,733,375</u>	<u>1,111,649</u>
4.31	3.75	3.99	4.01	5.32
<u>\$ 5,766,937</u>	<u>\$ 4,778,117</u>	<u>\$ 5,211,127</u>	<u>\$ 5,222,774</u>	<u>\$ 4,798,312</u>

City of San Buenaventura

Annual Continuing Disclosure Requirements, Continued

2012 Taxable Wastewater Revenues Refunding Bonds, Series A & B

For the year ended June 30, 2013

HISTORIC WASTEWATER SYSTEM USAGE

<u>Fiscal Year Ended June 30</u>	<u>Daily Average Flow (Million Gallons per Daily)</u>	<u>Increase (Decrease)</u>
2004	9.26	1.65%
2005	9.31	0.54%
2006	9.40	0.97%
2007	8.98	-4.47%
2008	8.73	-2.78%
2009	8.56	-1.95%
2010	8.80	2.80%
2011	8.81	0.11%
2012	8.55	-2.95%
2013	8.36	-2.22%

HISTORIC WASTEWATER SYSTEM SERVICE CONNECTIONS

<u>Fiscal Year Ended June 30</u>	<u>Service Connections</u>	<u>Increase (Decrease)</u>
2004	24,475	0.00%
2005	24,475	0.00%
2006	24,865	1.59%
2007	25,155	1.17%
2008	25,131	-0.10%
2009	25,163	0.13%
2010	25,178	0.06%
2011	25,197	0.08%
2012	25,254	0.23%
2013	25,280	0.10%

HISTORIC WASTEWATER SYSTEM SERVICE AND FLOW CHARGE REVENUES

<u>Fiscal Year Ended June 30</u>	<u>Service and Flow Charge Revenues</u>	<u>Increase (Decrease)</u>
2004	\$ 13,430,212	5.94%
2005	14,042,047	4.56%
2006	14,144,570	0.73%
2007	15,460,227	9.30%
2008	16,068,806	3.94%
2009	16,015,727	-0.33%
2010	16,978,451	6.01%
2011	16,326,078	-3.84%
2012	17,221,369	5.48%
2013	19,143,024	11.16%

Source: Ventura Water Department and the Comprehensive Annual Financial Report.

City of San Buenaventura
Annual Continuing Disclosure Requirements, Continued
2012 Taxable Wastewater Revenues Refunding Bonds, Series A & B
For the year ended June 30, 2013

Top 10 Wastewater Customers for 2012-2013

Wastewater Customers By Type of Business Based on Volume	Average HCF ⁽¹⁾ Per Day	Total Payments	Percent of Total Wastewater Revenues
Commercial	129.7	\$ 149,300	0.78%
Commercial	121.8	138,234	0.72%
Multifamily Residential	108.0	134,802	0.70%
Multifamily Residential	95.0	126,482	0.66%
Multifamily Residential	95.3	124,491	0.65%
Commercial	99.3	112,353	0.59%
Multifamily Residential	83.1	107,282	0.56%
Commercial	102.7	95,730	0.50%
Multifamily Residential	69.5	94,344	0.49%
Commercial	53.6	93,894	0.49%

(1) HCF stands for Hundred Cubic Feet.

Note: This schedule previously presented the top 10 wastewater customers of the City. Ventura Water staff has interpreted the Red Flags Rules to prohibit the disclosure of any customer information, including name and payment information from all outside reports. Accordingly, the customer names have been replaced with the type of customer for each of these accounts.

Source: Ventura Water Department and the Comprehensive Annual Financial Report

City of San Buenaventura
Annual Continuing Disclosure Requirements, Continued
2012 Taxable Water Certificates of Participation, Series A & B
For the year ended June 30, 2013

WATER SYSTEM				
NINE-YEAR HISTORIC OPERATING RESULTS				
FISCAL YEAR ENDED JUNE 30				
	2013	2012	2011	2010
REVENUES				
Service Charges & Sale Revenues	\$ 25,375,574	\$ 22,371,438	\$ 20,946,374	\$ 21,844,750
Transfers In	1,391,124	1,277,970	1,007,343	865,525
Gain on Sale of Assets	(2,053)	-	-	-
Investment Income	284,725	201,109	75,514	559,544
TOTAL REVENUES	27,049,370	23,850,517	22,029,231	23,269,819
OPERATION AND MAINTENANCE EXPENSE ⁽¹⁾				
	19,771,085	17,128,731	15,103,751	15,777,292
NET REVENUES	7,278,285	6,721,786	6,925,480	7,492,527
DEBT SERVICE				
2004 COP ⁽²⁾	896,925	1,688,375	1,689,375	1,688,963
2012 COP	1,176,117	-	-	-
TOTAL DEBT SERVICE	2,073,042	1,688,375	1,689,375	1,688,963
DEBT SERVICE COVERAGE	3.51	3.98	4.10	4.44
NET REVENUES AVAILABLE FOR SUBORDINATE DEBT SERVICE	\$ 5,205,243	\$ 5,033,411	\$ 5,236,105	\$ 5,803,564

(1) Excludes depreciation and bond amortization.

(2) 2004 Water Revenue Certificates of Participation were refunded into 2012 Taxable Water Certificates of Participation, Series A & B in November 2012.

Source: The Comprehensive Annual Financial Report.

**WATER SYSTEM
NINE-YEAR HISTORIC OPERATING RESULTS
FISCAL YEAR ENDED JUNE 30**

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 21,304,880	\$ 20,742,823	\$ 20,549,930	\$ 17,838,573	\$ 17,642,997
916,459	840,954	675,517	619,089	854,927
-	-	-	-	-
906,708	828,655	1,193,564	573,009	529,375
<u>23,128,047</u>	<u>22,412,432</u>	<u>22,419,011</u>	<u>19,030,671</u>	<u>19,027,299</u>
14,600,419	14,464,514	13,106,807	12,817,841	12,154,573
<u>8,527,628</u>	<u>7,947,918</u>	<u>9,312,204</u>	<u>6,212,830</u>	<u>6,872,726</u>
1,686,475	1,691,475	1,691,100	1,686,550	2,082,325
-	-	-	-	-
<u>1,686,475</u>	<u>1,691,475</u>	<u>1,691,100</u>	<u>1,686,550</u>	<u>2,082,325</u>
5.06	4.70	5.51	3.68	3.30
<u>\$ 6,841,153</u>	<u>\$ 6,256,443</u>	<u>\$ 7,621,104</u>	<u>\$ 4,526,280</u>	<u>\$ 4,790,401</u>

City of San Buenaventura
Annual Continuing Disclosure Requirements, Continued
2012 Taxable Water Certificates of Participation, Series A & B
For the year ended June 30, 2013

HISTORIC WATER SUPPLY
(in Acre-feet per year)

Fiscal Year Ended June 30	Pumped Water	Purchased Water ⁽¹⁾	Total
2004	16,030	5,964	21,994
2005	12,337	7,867	20,204
2006	11,657	6,658	18,315
2007	12,818	6,120	18,938
2008	12,923	6,079	19,002
2009	12,211	5,364	17,575
2010	10,877	6,002	16,879
2011	10,077	6,041	16,118
2012	11,708	5,105*	16,813*
2013	12,068	5,215	17,283

(1) Reflects Casitas Municipal Water District certification letters

PROJECTED WATER SUPPLY
(in Acre-feet per year)

Fiscal Year Ended June 30	Pumped Water	Purchased Water	Total
2008	18,300	8,000	26,300
2009	20,562	8,000	28,562
2010	21,900	8,000	29,900
2011	21,900	8,000	29,900
2012	21,900	8,000	29,900
2013	21,900	8,000	29,900
2014	21,900	8,000	29,900
2015	21,900	6,000	27,900
2016	16,000	6,000	22,000
2017	15,300	5,000	20,300
2018	16,000	5,000	21,000

Source: Ventura Water Department

*Note: These numbers were revised to reflect updated information.

City of San Buenaventura
Annual Continuing Disclosure Requirements, Continued
2012 Taxable Water Certificates of Participation, Series A & B
For the year ended June 30, 2013

HISTORIC WATER SYSTEM SERVICE CHARGES AND SALES REVENUES

<u>Fiscal Year Ended June 30</u>	<u>Service Charges and Sales Revenues</u>	<u>Increase</u>
2004	\$ 16,924,727	5.10%
2005	17,642,997	4.24%
2006	17,838,573	1.11%
2007	20,549,930	15.20%
2008	20,742,823	0.94%
2009	21,304,880	2.71%
2010	21,844,750	2.53%
2011	20,946,374	-4.11%
2012	22,371,438	6.80%
2013	25,375,574	13.43%

Source: The Comprehensive Annual Financial Report.

City of San Buenaventura
Annual Continuing Disclosure Requirements, Continued
2012 Taxable Water Certificates of Participation, Series A & B
For the year ended June 30, 2013

Top 10 Water Customers for 2012-2013			
Water Customers Based on Volume	Average HCF ⁽¹⁾ Per Day	Total Water Payments	Percent of Total Water Revenues
Reclaimed	2571.87	\$ 92,813	0.37%
Commercial	207.19	52,462	0.21%
Reclaimed	157.63	148,699	0.59%
Hospital	129.70	141,031	0.56%
Commercial	121.79	119,519	0.47%
Commercial	119.83	91,926	0.36%
Hospital	102.68	104,725	0.41%
Government Center	101.96	101,843	0.40%
Residential-Multi Family	99.32	100,851	0.40%
Residential-Multi Family	89.98	77,145	0.30%

(1) HCF stands for Hundred Cubic Feet.

Note: This schedule previously presented the top 10 water customers of the City. Ventura Water staff has interpreted the Red Flags Rules to prohibit the disclosure of any customer information, including name and payment information from all outside reports. Accordingly, the customer names have been replaced with the type of customer for each of these accounts.

Source: Ventura Water Department and the Comprehensive Annual Financial Report

City of San Buenaventura
Employee Relations and Collective Bargaining
For the year ended June 30, 2013

Employee Relations and Collective Bargaining

City employees are divided into thirteen (13) separate salary schedules (excluding temporary support staff) for the purpose of salary and benefit administration, eight (8) of which are represented by a bargaining union/association. These salary schedule groups are listed below:


<i>Salary Schedule</i>	<i>Number of Regular Employees Covered</i>	<i>Term of MOU</i>
Maintenance Unit (Non-Supervisory Maintenance, Operations and Laboratory Employees)	118	Jul. 1, 2010 – Jun. 30, 2013 with option to extend to December 31, 2013
General Unit (Non-Supervisory Clerical, Technical, Para-professional, Inspectors and Civilian Public Safety Employees)	127	Jul. 1, 2010 – Jun. 30, 2013 with option to extend to December 31, 2013
Supervisor Unit (Supervisory Employees)	74	Jul. 1, 2010 – Jun. 30, 2013 with option to extend to December 31, 2013
Professional Unit (Professional Employees)	26	Jul. 1, 2010 – Jun. 30, 2013 with option to extend to December 31, 2013
Police Unit (Police Officers, Corporals and Sergeants)	119	Jul. 1, 2010 – Jun. 30, 2013 with option to extend to December 31, 2013
Fire Unit (Basic Unit: Firefighter Trainee, Firefighter/Paramedic Trainees/ Firefighter, Firefighters/Paramedics and Fire Engineers) and (Fire Captain’s Unit: Fire Captain)	66	Jan. 1, 2011 – Dec. 31, 2013 with option to extend to June 30, 2014
Police and Fire Recruits ⁽¹⁾ (Police Officer Trainee, Firefighter-Paramedic Recruit and Firefighter Recruit. Trainees in unit for less than six months)	0	No MOU
Police Management Unit (Police Commander and Assistant Police Chief)	7	Jul. 1, 2010 – Jun. 30, 2013 with option to extend to December 31, 2013
Fire Management Unit (Fire Battalion Chiefs, Assistant Fire Chief)	5	Jan. 1, 2011 – Dec. 31, 2013 with option to extend to June 30, 2014
Executive (Department Heads, City Attorney, City Manager)	11	No MOU - Unrepresented
Management (Division Heads and other managers)	26	No MOU - Unrepresented
Administrative Confidential (Administrative professional)	5	No MOU - Unrepresented
Confidential (Administrative Secretaries, Human Resources non-analyst staff, Legal Administrative Secretaries)	20	No MOU - Unrepresented

⁽¹⁾ The positions within this unit are non-safety trainee positions that upon completion of required training are promoted to either Police or Fire Unit represented positions.

Source: Human Resource Department, City of San Buenaventura



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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the principal legal documents. Such summary is not intended to be definitive. Reference is made to the actual documents (copies of which are available from the City) for the complete terms thereof.

DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary but previously defined in this Official Statement have the respective meanings previously given.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City or the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Year” means each twelve-month period extending from January 2 in one calendar year to January 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including January 1, 2015.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the City in which the Office of the Trustee is located.

“City Representative” means the City Manager, Finance and Technology Director (or other person performing the functions of chief financial officer of the City) or any other person designated as a City Representative by a written certificate of the City signed by its City Manager and filed with the Authority and the Trustee.

“Closing Date” means the date of original issuance of the Bonds.

“Debt Service” means, as of any Fiscal Year or other 12-month period by the City in accordance with the Indenture, the sum obtained for such Fiscal Year or other 12-month period by totaling the following amounts:

(a) the aggregate amount of Installment Payments, the 2012 Installment Payments and payments of principal of and interest on the SRF Loan coming due and payable in such Fiscal Year or other 12-month period; and

(b) the aggregate amount of principal and interest coming due on all outstanding Parity Debt, if any, in such Fiscal Year or other 12-month period, including the principal of Parity Debt coming due and payable by operation of mandatory sinking fund redemption.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Financial Consultant” means any consultant or firm of such consultants appointed by the City and who, or each of whom: (a) is judged by the City to have experience in matters relating to the financing of water enterprises; (b) is in fact independent and not under domination of the City; (c) does not have any substantial interest, direct or

indirect, with the City other than as purchaser of the Bonds or any Parity Debt; and (d) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period.

“Gross Revenues” means all gross charges received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to investment earnings thereon; but excluding (a) connection charges, (b) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the City relating to the Water System, and (c) the proceeds of any special assessments or special taxes levied to finance improvements to the Water System or repay obligations incurred to finance improvements to the Water System.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the City, and who, or each of whom (a) is in fact independent and not under domination of the City; (b) does not have any substantial interest, direct or indirect, in the City; and (c) is not connected with the City as an officer or employee of the City but who may be regularly retained to make annual or other audits of the books of or reports to the City.

“Installment Payment Date” means, with respect to any Interest Payment Date, the 5th Business Day immediately preceding such Interest Payment Date.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Office” means the corporate trust office of the Trustee in Los Angeles, California, or such other or additional offices as the Trustee may designate in writing to the Corporation from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporation trust agency business is conducted.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Water System, including but not limited to (a) the cost of acquiring water, including but not limited to all costs paid by the City under the State Water Contract during any period of time during which the City is taking delivery of water thereunder, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, (c) the reasonable administrative costs of the City attributable to the operation and maintenance of the Water System, and (d) transfers made to other funds of the City for the purpose of paying or reimbursing the payment of Operation and Maintenance Costs. “Operation and Maintenance Costs” do not include (i) interest expense relating to obligations of the City with respect to the Water System, (ii) depreciation, replacement and obsolescence charges or reserves therefor, (iii) payments made by the City under the State Water Contract during any period of time during which the City is not taking delivery of water thereunder, and (iv) amortization of intangibles or other bookkeeping entries of a similar nature.

“Overdue Rate” means the highest rate of interest on any of the Outstanding Bonds.

“Owner” means, with reference to any Bond, the person in whose name the Ownership of such Bond is registered on the Registration Books.

“Parity Debt” means any bonds, notes, leases, installment sale agreements or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments, entered into or issued under and in accordance with the provisions of the Installment Sale Agreement.

“Parity Debt Documents” means, collectively, the indenture of trust, trust agreement or other document authorizing the issuance of any Parity Debt or any securities which evidence Parity Debt.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities.
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any federal agencies whose obligations are backed by the full faith and credit of the United States of America.
- (c) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and which are rated in the highest short-term rating category by S&P, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.
- (d) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize under federal law, which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated A-1 or better by S&P.
- (e) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee or its affiliates) in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation, including the Bank Insurance Fund and the Savings Association Insurance Fund.
- (f) Investment agreements with a financial institution the long-term debt or claims paying ability of which, or in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor or the institution is rated AA or better from S&P, by the terms of which the Trustee is permitted to withdraw the invested funds if the rating from S&P falls below AA. For purpose of this clause, the rating category “AA” includes all gradations within such rating category.
- (g) Bonds, notes or other obligations issued by any corporation or public agency, which as of the date of purchase are rated AA or better from S&P. For purpose of this clause, the rating category “AA” includes all gradations within such rating category.
- (h) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

“Project Costs” means, with respect to the Projects, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for the purchase of the Projects or otherwise relating to the acquisition, construction and installation of the Projects;
- (b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Projects;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Projects;

(d) preliminary costs of the Projects, including but not limited to design, environmental, engineering and architectural services, costs for testing, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and costs for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Projects;

(e) costs of equipping and furnishing the Projects and costs of taking occupancy of the Projects;

(f) any sums required to reimburse the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Projects;

(g) all financing costs incurred in connection with the acquisition, construction and installation of the Projects; and

(h) the Installment Payments coming due during the period of construction of the Projects and for not more than six months thereafter.

“Projects” means the facilities, equipment and property which are acquired, constructed and improved from amounts on deposit in the Project Fund. The original description of the Projects is set forth more fully in an appendix attached to the Installment Sale Agreement, and may be modified in accordance with the provisions of the Installment Sale Agreement.

“Registration Books” means the records maintained by the Trustee under the Indenture for the registration and transfer of ownership of the Bonds.

“Revenues” means: (a) all of the Installment Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture, other than the Project Fund.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, of New York, New York, its successors and assigns.

“State Water Contract” means the agreement entitled “A Contract For Allocation of State Plan Water Between Casitas Municipal Water District and City of San Buenaventura” dated July 7, 1971, by and between the City and the Casitas Municipal Water District, together with all amendments and supplements thereto.

“SRF Loan” means loan from the State of California Department of Water Resources under State Revolving Fund Loan Contract No. SRF00CX135 in the original principal amount of \$20,000,000, dated May 24, 2005, made to the City for the purpose of financing improvements to the Water System.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official guidance published, under the Tax Code.

“2012 Installment Payments” means the installment payments which the City is obligated to pay under the 2012 Installment Sale Agreement.

“2012 Installment Sale Agreement” means the Installment Sale Agreement dated as of November 1, 2012, between the Authority and the City, under which the City is obligated to pay the 2012 Installment Payments in respect of the City of San Buenaventura Public Facilities Financing Authority 2012 Taxable Water Revenue Bonds, Series A issued in the aggregate principal amount of \$11,095,000, and the City of San Buenaventura Public Facilities Financing Authority 2012 Water Revenue Bonds, Series B issued in the aggregate principal amount of \$34,355,000.

“Term Bonds” means the Bonds maturing on January 1, 2039 and on January 1, 2044.

“Water Fund” means the existing fund by that name established and held by the City with respect to the Water System.

“Water System” means the entire water supply, treatment, storage and distribution system of the City, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the City for the supply, treatment and storage of water to residents of the City and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the City. The Water System does not include facilities for the disposal of recycled wastewater.

“Written Certificate,” “Written Request” and “Written Requisition” of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority by its Executive Director, Treasurer or Secretary, or signed in the name of the City by a City Representative.

INSTALLMENT SALE AGREEMENT

Construction of the Projects

The City agrees with due diligence to supervise and provide for, or cause to be supervised and provided for, the acquisition and construction of the Projects in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the City under all applicable requirements of law. All contracts for, and all work relating to, the acquisition and construction of the Projects are subject to all applicable provisions of law relating to the acquisition and construction of public works by the City. The failure of the City to complete the Projects by the estimated completion date thereof will not constitute an event of default under the Installment Sale Agreement or a grounds for termination thereof, nor result in the diminution, abatement or extinguishment of the obligations of the City to pay the Installment Payments when due under the Installment Sale Agreement.

The City has the right to specify the exact scope, nature and identification of the Projects and the respective components thereof. The City has the right to amend the description of the Projects, including for the purpose of including additional Projects not originally included in the description thereof. Before any payment is made for the Projects or any component thereof from amounts on deposit in the Project Fund, the City shall prepare detailed plans and specifications relating thereto.

Certificate of Completion

Upon the determination by the City that the Projects have been completed and that no further amounts are required to be disbursed from the Project Fund to pay Project Costs, a City Representative shall execute and deliver to the Authority and the Trustee a written certificate which states that the acquisition and construction of the Projects have been completed and that no further amounts are required to be disbursed from the Project Fund to pay Project Costs.

Installment Sale of Projects

The Authority agrees under the Installment Sale Agreement to sell the completed Projects to the City, and the City agrees to purchase the completed Projects from the Authority, upon the terms and conditions set forth in the Installment Sale Agreement. Title to the Projects, and each component thereof, will be deemed conveyed by the City to the Authority upon the completion thereof. The Authority and the City agree that no further action or documentation is intended to be required to cause the transfer of title to the Projects; however, if any further actions or documentation is so required, the Authority and the City shall take such actions and execute, deliver and cause to be recorded all such documents.

Installment Payments; Pledge of Net Revenues

The City agrees to pay the Installment Payments to the Authority as the purchase price of the Projects. The Installment Payments are payable in semiannual installment payments in the respective amounts and on the respective Installment Payment Dates specified in the Installment Sale Agreement. If the City fails to make any Installment Payment when due, the payment in default will continue as an obligation of the City until fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment, at the Overdue Rate.

The Installment Payments are payable solely from the Net Revenues and other funds pledged under the Installment Sale Agreement. The City pledges all of the Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Indenture to secure the Installment Payments, which lien is on a parity with the pledge and lien which secures the SRF Loan, the 2012 Installment Payments and any Parity Debt.

Deposit and Application of Revenues

The City has previously established the Water Fund, which the City will continue to hold and maintain. The City shall deposit all of the Gross Revenues in the Water Fund immediately upon receipt. The City shall apply amounts in the Water Fund as set forth in the Installment Sale Agreement, in the 2012 Installment Sale Agreement and in any Parity Debt Documents. Amounts on deposit in the Water Fund will be applied by the City to pay when due the following amounts in the following order of priority:

- (a) all Operation and Maintenance Costs;
- (b) the Installment Payments, the 2012 Installment Payments and all payments of principal of and interest on the SRF Loan and any Parity Debt;
- (c) any other payments required to comply with the provisions of the Installment Sale Agreement, the 2012 Installment Sale Agreement, the documents relating to the SRF Loan and any Parity Debt Documents, including but not limited to payments required to restore the required balances in the reserve fund which has been established for the SRF Loan; and
- (d) any other purposes authorized under the Installment Sale Agreement.

The City will manage, conserve and apply the Net Revenues on deposit in the Water Fund in such a manner that all deposits required to be made as described above. Subject to the foregoing sentence, so long as no event of default has occurred and is continuing, the City may use and apply moneys in the Water Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Water System, (iii) the prepayment of any other obligations of the City relating to the Water System, or (iv) any other lawful purposes of the City.

No Preference or Priority

Payment of the Installment Payments, the 2012 Installment Payments, the SRF Loan and the principal of and interest on any Parity Debt shall be made without preference or priority. If the amount of Net Revenues on deposit in the Water Fund are any time insufficient to enable the City to pay when due the Installment Payments, the 2012 Installment Payments, the SRF Loan and the principal of and interest on any Parity Debt, such payments will be made on a pro rata basis.

Budget and Appropriation of Installment Payments

During the term of the Installment Sale Agreement, the City is required to adopt all necessary budgets and make all necessary appropriations of the Installment Payments from the Net Revenues. If any Installment Payment requires the adoption by the City of a supplemental budget or appropriation, the City will promptly adopt the same.

Such covenants of the City are deemed to be and shall be construed to be duties imposed by law and it is the duty of each and every public official of the City to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants.

Option to Prepay

The City has the option to prepay the Installment Payments or post a security deposit to pay the Installment Payments, in whole or in part, in the amounts and on the dates set forth in the Installment Sale Agreement. The optional prepayment dates and prices have been determined to correspond to the optional redemption dates and prices applicable to the Bonds under the Indenture.

Superior and Subordinate Obligations

The City will not issue or incur any additional bonds or other obligations during the term of the Installment Sale Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments. Nothing limits or affects the ability of the City to issue or incur (a) Parity Debt, or (b) obligations which are either unsecured or which are secured by an interest in the Gross Revenues or the Net Revenues which are junior and subordinate to the pledge and lien established under the Installment Sale Agreement.

Sale or Eminent Domain of Water System

The City covenants that the Water System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the Installment Payments, the 2012 Installment Payments or the principal of or interest on the SRF Loan or any Parity Debt, or would materially adversely affect its ability to comply with the terms of the Installment Sale Agreement, the 2012 Installment Sale Agreement, the documents relating to the SRF Loan or any Parity Debt Documents. The City agrees not to enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments, the 2012 Installment Sale Agreement, the SRF Loan or any Parity Debt, or which otherwise would impair the rights of the Bond Owners or the Trustee with respect to the Net Revenues. If any substantial part of the Water System is sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to prepay the Installment Payments or prepay the 2012 Installment Payments, the SRF Loan or any Parity Debt in accordance with the provisions thereof.

Any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain shall either (a) be used for the acquisition or construction of improvements and extension of the Water System, or (b) be applied to prepay the Installment Payments or prepay the 2012 Installment Payments, the SRF Loan or any Parity Debt in accordance with the provisions thereof.

Insurance

The City shall at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System; *provided, however*, that the City is not required to maintain earthquake insurance with respect to the Water System or any component thereof. All amounts collected from insurance against accident to or destruction of any portion of the Water System will be used, at the option of the City, either (a) to repair or rebuild such damaged or destroyed portion of the Water System, or (b) to prepay the Installment Payments or prepay the 2012 Installment Payments, the SRF Loan or any Parity Debt in accordance with the provisions thereof.

The City shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Authority, the Trustee and the Owners of the Bonds. Any policy of insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-

insurance by the City or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance.

Assignment and Amendment of Installment Sale Agreement

The Installment Sale Agreement may not be assigned by the City in whole or in part. The Installment Sale Agreement may be amended by the City and the Authority, but only (a) for the purpose of providing for the issuance of any Parity Debt in accordance with the Installment Sale Agreement, or (b) otherwise under the circumstances and to the extent permitted under the Indenture.

Events of Default

Each of the following constitutes an event of default under the Installment Sale Agreement:

- (a) Failure by the City to pay any Installment Payment when due and payable.
- (b) Failure by the City to pay any Additional Payment when due and payable, and the continuation of such failure for a period of 30 days.
- (c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee; *provided, however*, that if the City notifies the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an event of default if the City commences to cure such failure within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may be enacted.
- (e) The occurrence of an event of default under and as defined in the 2012 Installment Sale Agreement, in the documents relating to the SRF Loan or in any Parity Debt Documents.

Remedies on Default

Whenever any event of default has happened and is continuing, the Trustee as assignee of the Authority has the right, at its option and without any further demand or notice, to:

- (a) Declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable. Notwithstanding the foregoing provisions of this subsection (a), however, if, at any time after the principal components of the unpaid Installment Payments have been so declared due and payable under this subsection (a), and before any judgment or decree for the payment of the moneys due have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the Overdue Rate, and the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been made good, then, and in every such case, the Trustee shall rescind and annul such declaration and its consequences. However, 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. The Trustee is required to exercise the remedies provided in the Installment Sale Agreement in accordance with the Indenture.

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the term of the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under the Installment Sale Agreement.

(c) As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners under the Installment Sale Agreement, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged under the Installment Sale Agreement, with such powers as the court making such appointment may confer.

No remedy conferred upon or reserved to the Authority under the Installment Sale Agreement is intended to be exclusive and every such remedy will be cumulative and shall be in addition to every other remedy given under the Installment Sale Agreement or at any time existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

The rights and remedies of the Authority under the Installment Sale Agreement have been assigned to the Trustee under the Indenture, and will be exercised by the Trustee and the Bond Owners as provided in the Indenture.

INDENTURE OF TRUST

Pledge of Revenues and Other Amounts

All of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under the Indenture are pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

Establishment of Funds and Accounts; Flow of Funds

Costs of Issuance Fund. A portion of the proceeds of the Bonds will be deposited by the Trustee in the Costs of Issuance Fund on the Closing Date. The moneys in the Costs of Issuance Fund will be disbursed to pay costs of issuing the Bonds from time to time upon receipt of written requests of the Authority. On January 1, 2015, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Project Fund and shall thereupon close the Costs of Issuance Fund.

Project Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds. The Trustee shall disburse amounts in the Project Fund from time to time to pay Project Costs upon receipt of written requisitions signed by a City Representative. Upon the determination by the City that the Projects have been completed and that no further amounts are required to be disbursed from the Project Fund to pay Project Costs, the City shall file a written certificate with the Trustee to that effect, and the Trustee shall thereupon withdraw all amounts remaining on deposit in the Project Fund and deposit such amounts in the Interest Account, to be applied as a credit towards the Installment Payments next coming due and payable.

Bond Fund; Deposit and Transfer of Amounts Therein. All Revenues will be deposited by the Trustee in the Bond Fund promptly upon receipt. On or before each Interest Payment Date, the Trustee will transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) Deposit to Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then outstanding.

(b) Deposit to Principal Account. The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including the principal amount of Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under the applicable provisions of the Indenture.

Redemption Fund. The Trustee will establish and maintain a Redemption Fund, amounts in which will be used and withdrawn by the Trustee solely for the purpose of paying the principal of on the Bonds to be redeemed (other than any Term Bonds which are subject to mandatory sinking fund redemption from amounts on deposit in the Principal Account). At any time prior to giving notice of redemption of any such Bonds, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Authority shall direct, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds if the Bonds are then subject to optional redemption.

Investment of Funds

All moneys in any of the funds or accounts held by the Trustee under the Indenture will be invested by the Trustee solely in Permitted Investments as directed by the Authority in advance of the making of such investments. In the absence of any such direction of the Authority, the Trustee will invest any such moneys in Permitted Investments which constitute money market funds or will hold such moneys in cash uninvested. Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture will be deposited in the Bond Fund. For the purpose of determining the amount in any fund or account established under the Indenture, the value of investments credited to such fund will be calculated at the market value thereof, in accordance with the procedures specified in the Indenture.

Covenants of the Authority

Payment of Bonds. The Authority will punctually pay or cause to be paid the principal of and interest and premium (if any) on the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, but only out of the Revenues and other assets pledged for such payment as provided in the Indenture. The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are outstanding, except the pledge and assignment created by the Indenture.

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries will be made of all transactions relating to the proceeds of the Bonds, the Revenues, the Installment Sale Agreement and all funds and accounts established under the Indenture. Such books of record and account will be available for inspection by the Authority and the City, during regular business hours and upon reasonable prior notice.

No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

Tax Covenants. The Authority will not take, nor permit nor suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of any of the Bonds which would cause any of the Bonds to be “arbitrage bonds” or “private activity bonds” within the meaning of the Tax Code. The Authority will cause to be calculated annually all excess investment earnings which are required to be rebated to the United States of America under the

Tax Code, and will cause all required amounts to be rebated from payments made by the City for that purpose under the Installment Sale Agreement.

Installment Sale Agreement. The Trustee will promptly collect all amounts due from the City under the Installment Sale Agreement. Subject to the provisions of the Indenture governing the enforcement of remedies upon the occurrence of an event of default, the Trustee is required to enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Installment Sale Agreement.

Amendment of Indenture

The Indenture may be modified or amended at any time by a supplemental indenture with the prior written consents of the Owners of a majority in aggregate principal amount of the Bonds then outstanding. No such modification or amendment may (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

The Indenture may also be modified or amended at any time by a supplemental indenture, without the consent of any Bond Owners, to the extent permitted by law, but only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority under the Indenture;

(b) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; and

(d) to modify, amend or supplement the Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code.

Events of Default

Events of Default Defined. The following events constitute events of default under the Indenture:

(a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on the Bonds when due.

(c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the

Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

(d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

(e) The occurrence and continuation of an event of default under and as defined in the Installment Sale Agreement.

Remedies. If any event of default occurs under and as defined in the Indenture, then, and in each and every such case during the continuance of such event of default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other events of default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent event of default, or shall impair or exhaust any right or power consequent thereon.

Upon the occurrence and continuance of an event of default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it deems most effectual to protect and enforce any such right, at law or in equity. No delay or omission to exercise any right or power accruing upon any event of default will impair any such right or power or will be construed to be a waiver of any such event of default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Application of Funds After Default. If an event of default has occurred and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture will be applied by the Trustee as follows and in the following order:

(a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of the principal of and interest then due on the Bonds in accordance with the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment

or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the available amount is not sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Limitation on Bond Owners' Right to Sue. No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then outstanding have requested the Trustee in writing to exercise its powers under the Indenture; (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then outstanding.

Discharge of Indenture

The Authority may pay and discharge the indebtedness on any or all of the outstanding Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem such Bonds; or
- (c) by delivering all of such Bonds to the Trustee for cancellation.

Upon such payment, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other obligations of the Authority under the Indenture with respect to such Bonds, will cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose. Any funds thereafter held by the Trustee, which are not required for said purposes, will be paid over to the Authority.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Jones Hall, A Professional Law Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

November 4, 2014

City of San Buenaventura
Public Facilities Financing Authority
501 Poli Street
Ventura, California 93001

OPINION: \$16,645,000 City of San Buenaventura Public Facilities Financing Authority
 2014 Water Revenue Bonds, Series C

Members of the Authority:

We have acted as bond counsel to the City of San Buenaventura Public Facilities Financing Authority (the "Authority") in connection with the issuance by the Authority of its City of San Buenaventura Public Facilities Financing Authority 2014 Water Revenue Bonds, Series C in the aggregate principal amount of \$16,645,000 (the "Bonds"), under an Indenture of Trust dated as of November 1, 2014 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, and under the provisions of Ordinance No. 85-17 adopted by the City Council of the City on May 28, 1985 (the "Authorizing Ordinance"). The Bonds are secured by Revenues as such term is defined in the Indenture, including installment payments (the "Installment Payments") made by the City of San Buenaventura (the "City") under an Installment Sale Agreement dated as of November 1, 2014 (the "Installment Sale Agreement") between the Authority and the City.

We have examined such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Authority and the City contained in the Indenture, the Installment Sale Agreement and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a public body corporate and politic duly organized and existing under the Authorizing Ordinance and under the Constitution and laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds have been duly issued by the Authority and constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms.
3. The Indenture and the Installment Sale Agreement have been duly authorized, executed and delivered by the Authority and constitute legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

4. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

5. The City is a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California, with power to enter into the Installment Sale Agreement and to perform the agreements on its part contained therein. The Installment Sale Agreement has been duly approved by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms. The Installment Sale Agreement establishes a valid first lien on and pledge of the Net Revenues of the Water System and other funds pledged thereby for the security of the Installment Payments, in accordance with the terms of the Installment Sale Agreement.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the City have covenanted in the Indenture, the Installment Sale Agreement and in other instruments relating to the Bonds to comply with each of such requirements, and the Authority and the City have full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. Interest on the Bonds is exempt from California personal income taxation.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Installment Sale Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon the issuance of the Bonds, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate, dated as of November 1, 2014 (the “Disclosure Certificate”), is executed and delivered by the City of San Buenaventura (the “City”) in connection with the issuance by the City of San Buenaventura Public Facilities Financing Authority (the “Authority”) of the Authority’s 2014 Water Revenue Bonds, Series C (the “Bonds”).

WHEREAS, the Bonds are being issued pursuant to an Indenture of Trust, dated as of November 1, 2014 (the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

WHEREAS, the Bonds are payable from Installment Payments payable by the City to the Authority under the Installment Sale Agreement, dated as of November 1, 2014, between the City and the Authority; and

WHEREAS, this Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below).

NOW, THEREFORE, the City covenants as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Comprehensive Annual Financial Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the City Manager of the City, the Finance and Technology Director of the City or their designee, or such other officer or employee as the City shall designate in writing from time to time.

“Dissemination Agent” shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 4(a) and (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated October 21, 2014.

“Participating Underwriters” shall mean the original Underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org>.

“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.

“State” shall mean the State of California.

SECTION 2. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the 270 days after the end of each fiscal year of the City (the “Annual Report Date”), commencing with the report for the 2013-14 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 3 of this Disclosure Certificate, with a copy to the Trustee. Not later than five (5) Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent, if other than the City. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Certificate. If the City’s fiscal year changes, the City, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 4(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(b) If by five (5) Business Days prior to the Annual Report Date, the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such non-receipt.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the Annual Report Date, the Dissemination Agent shall provide to the MSRB (with a copy to the Trustee and the Participating Underwriters) a notice, in substantially the form attached as Exhibit A.

(d) Unless the City has done so pursuant to Section 2(a) above, the Dissemination Agent (if other than the City) shall: (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and (ii) if the Dissemination Agent is other than the City, file a certificate with the City to the effect that the Annual Report has been provided pursuant to this Disclosure Certificate, stating, to the extent it can confirm such filing of the Annual Report, the date it was provided.

SECTION 3. Content of Annual Reports. The City’s Annual Report shall contain or include by reference the following:

(a) The City’s audited financial statements for the prior fiscal year, prepared in accordance with generally accepted auditing standards for municipalities in the State of California. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Principal amount of the Bonds outstanding.

(c) An update of the information in the following tables in the Official Statement:

1. Historic Water Supply in Acre Feet per Year;
2. Historic Water System Service Connections;
3. Historic Water System Deliveries in Acre Feet per Year;
4. Historic Water System Service Charges and Sales Revenues;
5. Largest Water System Customers;
6. Potable Water Commodity Charges;
7. Potable Water Bimonthly Service Charges; and
8. Historic Operating Results (Fiscal Year Ended June 30).

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) days after the event, if material:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposal Issue (IRS Form 5701-TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes; and
9. Bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 obligated person, or if such jurisdiction has been assumed by leaving the existing governmental 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 obligated person.

(b) Pursuant to the provisions of this Section 4, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material in a timely manner not more than ten (10) days after occurrence:

1. unless described in Section 4(a)(5), adverse tax opinions or other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bondholders;
3. optional, unscheduled or contingent Bond calls;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the City or the Authority or the sale of all or substantially all of the assets of the City or the Authority, 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; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the City determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the City, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the City determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the City, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The City hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the City and, if the Dissemination Agent is other than the City, the Dissemination Agent shall not be responsible for determining whether the City's instructions to the Dissemination Agent under this Section 4 comply with the requirements of the Rule.

SECTION 5. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The obligations of the City, the Trustee and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing thirty days written notice to the City and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the City and shall have no duty to review any information provided to it by the City. 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 City in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided that the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 4(c); and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Bond to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

No Bond Holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

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 Certificate, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders, or any other party. The obligations of the City under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, if any, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

CITY OF SAN BUENAVENTURA

By: _____
Mark Watkins, City Manager

ATTEST:

Cyndi Rodriguez, City Clerk

APPROVED AS TO FORM:

Gregory G. Diaz, City Attorney

APPENDIX E

THE BOOK-ENTRY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the City, the Authority and the Underwriter believe to be reliable, but neither the City, the Authority nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, 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 will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 bonds representing their ownership interests in the 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 the 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. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

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

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

